



FAQs about Public Companies and B Corp Certification

Can public companies become Certified B Corps?

Yes. B Corp Certification is available to any for-profit business, no matter the size, industry, corporate structure or location. Etsy, a handmade goods marketplace, went public in the US in 2015 (ETSY; NASDAQ) as a Certified B Corp, and companies such as Natura in Brazil (NATU3; BVMF), Australian Ethical in Australia (AEF; ASX) and Snakk Media in New Zealand (SNK; NZX) are traded on other international exchanges. In 2013, Rally became the first Certified B Corp to go public (RALY; NYSE); it has since been acquired and absorbed into its new parent. New Resource Bank is traded as an unlisted over-the-counter security (NWBN; OTC).

Why does B Lab certify public companies?

While the early success of the B Corp movement has been driven largely by innovative, small and mid-sized companies, a growing number of multinational and publicly-traded companies are interested in B Corp Certification. This is good news because we need an inclusive movement in which everyone from family farms to the Fortune 500 uses business as a force for good. Our vision is that *all* businesses compete to be best *for* the world, and as a result society enjoys a more shared and durable prosperity.

Do public companies go through the same certification process as private companies?

A public company must meet the same standards as any other B Corp. B Corp Certification rests on three pillars: verified performance, public transparency, and legal accountability. Alone, none of these pillars is sufficient. Together, they make the B Corp Certification unique, credible, and meaningful.

Public companies also must meet additional requirements of transparency and validation:

- Certified B Corporations that are publicly traded are required to make their full B Impact Assessment transparent. Other Certified B Corporations are required to make transparent only their B Impact Report, which includes a B Impact Score, a quantitative summary of their answers to the questions on the B Impact Assessment.
- In addition, public companies are required to have their performance validated by B Lab, at the company's expense, during each two-year certification term, including an on-site review. Other Certified B Corporations have a one-in-five chance of being selected for random on-site validation process during each two-year certification term.
- Companies with multiple entities will also be required to pay an additional \$1,000 dollar validation fee for each additional entity.

How does this work for public companies with multiple brands, divisions, and subsidiaries?

Brands, divisions, and affiliated entities, including subsidiaries, with a different name than the certified parent, may only use the Certified B Corp intellectual property if they meet the minimum performance requirement independently.

Are B Lab's standards appropriate for public companies and large multinationals?

A number of practical barriers have made it hard for some multinational and some publicly listed companies to earn B Corp Certification and for B Lab to meaningfully assess and verify their performance. Both B Lab and these companies are committed to creating standards and a certification process that is both meaningful and manageable. B Lab is establishing a Multinationals & Public Markets (MPM) Advisory Council to achieve this objective over 2016 and early 2017. The recommendations of the MPM Advisory Council are expected in late 2017.

The MPM Advisory Council is comprised of leading practitioners, thought-leaders, and intermediaries, and will be divided into two 9-15 person Working Groups focused on Performance Standards and Mission Alignment. The Performance Standards Working Group will focus on: 1) adapting the performance metrics; 2) improving the certification process; and 3) enhancing the verification requirements for multinationals. Simultaneously, the Mission Alignment Working Group will focus on: 1) reviewing appropriate legal requirements in the multinational context, 2) engaging with the investment community, regulatory bodies (e.g. exchanges), and intermediaries (e.g. bankers, accountants, ratings agencies, D&O providers) to identify and remove impediments to adoption.

You can learn more about the MPM Advisory Council [here](#).

How do public companies meet the legal requirement for certification?

In short, public companies meet the legal requirements for certification in the same way that every other business meets the legal requirement for certification.

Companies can meet the legal requirement for certification whether they are an LLC, a corporation, a cooperative, ESOP, or any other corporate structure, public or private. Unlike traditional corporations, Certified B Corporations are legally required to consider the impact of their decisions on all their stakeholders as part of the terms of their certification. Meeting this legal requirement bakes sustainability into the DNA of a company, ensuring that the mission can better survive changing circumstances, including evolving ownership, new management, or even an acquisition.

The process of institutionalizing stakeholder interests into a company's governing documents is dependent first on its legal structure (e.g., Corporation, LLC, Partnership), and second on the jurisdiction where the firm is incorporated. For example, Brazilian-based Natura, the first public Certified B Corporation to adopt a mission aligned form, did so by amending their legal documents via a shareholder vote, which the law of Brazil permits any corporation to do. Whether a company is domiciled in the U.S. or outside the U.S., you can learn more about the legal requirement for certification [here](#).

How do Delaware corporations meet the legal requirement for certification?

In the United States, most publicly traded companies are incorporated in the state of Delaware, where the only way to meet the legal test for B Corp certification is to elect benefit corporation status. These companies must elect benefit corporation status within four years of the first effective date of the legislation or two years of initial certification, whichever is later. For Delaware corporations, this deadline is August 1, 2017.

You can access a step-by-step guide to how Delaware corporations can elect benefit corporation status and about the implications of doing so at benefitcorp.net [here](#).

How do investors react to B Corps and the benefit corporation legal structure?

Venture investors have been investing in Certified B Corporations and registered benefit corporations for years. You can see specific examples and learn why [here](#).

Two companies, Etsy (ETSY: NASDAQ) and Rally (RLY; NYSE), have gone public as Certified B Corporations and both stocks nearly doubled in their first day of trading. Natura (NATUR3; BVMF), a multi-billion dollar Certified B Corporation in Brazil, received a positive vote from its global institutional investors to become the first public company to amend its articles to expand the fiduciary duty of their directors.

As more existing B Corps and benefit corps begin to access public capital markets, and as existing public companies express increasing interest in becoming either a Certified B Corp or a benefit corp, B Lab's Mission Alignment team is working to educate and support institutional investors and other key public market players as to the benefits of investing in and supporting Certified B Corps and benefit corps.

- One milestone was achieved in October 2015 when the Department of Labor issued new ERISA guidance that should provide comfort to private pension funds that they can invest in companies with expanded mission and fiduciary duties like Certified B Corps and benefit corporations.
- Also in October 2015, Laureate Education became the first benefit corporation to file an S-1 with the SEC, with the backing of private equity firm KKR. Its initial filings indicate that a number of prestigious global investment banks, including Credit Suisse, Morgan Stanley, and Barclays, will be leading the underwriting.