

## Unit 5 Discussion Background Information Regarding a Benefit Corporation:

**A Benefit Corporation** is a new legal for-profit corporation entity now recognized in over half of the United States.

This type of corporation is legal in 36 states and the District of Columbia, while 5 states are pending (B Lab<sup>®</sup>, 2020).

Although taxed as either a C or an S corporation, this new type of company must have as their purpose or mission to “create a material positive impact on society and environment”, and provide a public benefit assessment report based on an objective “third party standard” according to the non-profit group B Lab<sup>®</sup> (2020).

There is no specific third party that any company has to use to provide this required public benefit assessment report. However, many companies use the non-profit organization B Lab<sup>®</sup> including Patagonia<sup>®</sup> and Method<sup>®</sup> to certify that they are in fact providing environmental and social benefits to society. This organization audits 10% of certified companies every year to ensure compliance with standards.

**Directors and Officers:** Offers legal protection to officers and directors in their corporate decisions, and even concerning the sale of stock, to consider the employees, community, and the environment.

Shareholders have additional rights to ensure the mission and public benefit purpose of the company remain since it requires 2/3 super majority vote of shareholders to change it.

### Reference

B Lab<sup>®</sup>. (2020). Benefit Corp. information center. <http://benefitcorp.net>