

EXECUTIVE SUMMARY

This paper intends to demonstrate a provocative investigation about “Paradigm Shift in the Corporate Model through Benefit Corporations”, considering the relevance of a customer centric economy, taking into account that Millennial and Z Generations show a great concern with purpose and values of activities, jobs and very likely, investments, including, but not limited to stock investments and investment funds.

Taking a glance at ESG practice versus consumer/investor perception: cognitive bias and skeptical behavior (eg opportunism and greenwashing), the central question is: how to make user and consumer recognize ESG delivered promises and whether this could affect positively other market scores NPS – Net Promoter Score - and Customer Experience?

The answer comes with a great potential in ESG, through the critical analysis of Benefit Corporations, to impact customer perceived satisfaction and brand loyalty. However, a compelling link needs to be constructed in addition to messaging or narrative, in this search, supply chain is considered as a strong conduit for this narrative to be compelling in the view of customers.

Therefore, the proposal of this paper is to build a case that for supporting the supply chain to achieve ESG goals, derived from SDG, Enel framework that considers statutory laws and regulations, tendencies and region needs, in accordance with the established Stakeholder commitment, CVS and other relevant considerations including those of the Benefit Corporations and B Corps, whenever applicable.

This paper contribution includes: (i) A detailed review of BCorps applicable framework, both legal and operational, including its evolution, similar models around the globe and influence on the SDGs; (ii) Lessons learned from success cases; (iii) Potential positive impacts of lobbying for BCorps legislation; (iv) Challenges for widespread adoption of BCorps standards.

Authors consider that the proposal at hand is attractive from a cost-benefit perspective since such measures do not imply a very high financial commitment in comparison to the possible generated impact.

BLUE IS THE NEW BASIC

Are the B Corps or B Corporation the yellow brick road to a Blue Economy?

ASSIGNED TOPIC

A Paradigm Shift in the Corporate Model: the Benefit Corporations

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1. INTRODUCTORY EXECUTIVE SUMMARY

Climate change, poverty, environmental impacts and inequalities are not new in town. Those concerns have been guiding socially responsible entities and individuals interested in promoting common good and human values. However, there is a material concern that the speech is more than attitudes in what relates to the work that had been done globally in the last decades for Countries and Companies.

The steps into the road to change have been slow in view of the need for change. There is still a broad spectrum of Brown Economy into the World. Negative externalities, such the side effects or air pollution breathed in by a community living near a power plant are not yet considered by most business plans and local rules. In fact, the environment, and future generations are still paying the price that producers could never afford for those environmental costs that had no price associated with them.

As Paul Hawken quoted, “We are stealing the future, selling it in the present, and calling it GDP” (LEADBETTER, 2013).

Not so long ago, in December 2016, Theorist Shanah Trevenna¹ predicted that the next two decades would have seen more changes than any twenty years in history, trends as exponential population growth, globalizing economy, the end of cheap oil, internet connectivity, global warming and technology innovation were just cited as a few elements creating an entirely new world (TREVENNA, 2016).

Indeed, from 2016 to 2019 the world faced many changes, but no prediction foreseen a global health, humanitarian and economic crises caused by the spread of SARS-Co-V-2 virus, the COVID-19 Pandemic.

COVID-19 had exposed the fragility of life, the dying of the Brown economy and the uncertainty of the planet’s future. Many people in lockdown, due to the COVID-19 crisis,

**“We are stealing
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2013)”**

¹ TREVENNA, Shanah. **B Corp: Insights for a new economy**. 2016. Doctorate Thesis. University of Hawai'i at Manoa. Available at <http://hdl.handle.net/10125/51621>.

replanned themselves, questioned the meaning of their life, and what they want to do with it, looking for what the Japanese's call ikigai (MIRALLES, 2021).

Boosted by Millennials, which make up near half of the workforce already, and more than one year after the World Health Organization declare COVID-19 Pandemic, companies business plans are being pushed to think out of the box and to compromise with a strong global positive change greater than ever before.

Externalities are so old fashioned as Brown Economy itself, the updated claim is to think about interdependencies among companies, communities, consumers, employees, and the planet itself as utterly connected. Every decision made by one actor in such a web directly affects all the others, fitting into what Gunter Pauli coined as Blue Economy.

This perspective leads to the question: “How can market players and their power structures evolve to create a more stable, thriving economy, just society, and sustainable ecology out of the rapid changes of the next century? (TREVENNA, 2016)”

Relevant to advocate that there are many countries and strong groups, such as ENEL, which had already found a direction to positively impact this reality, present alternatives end extreme poverty, fight inequality and injustice, and protect the planet, through the 17 Sustainable Development Goals (SDGs) which clearly define the world we want.

ENEL group mission is strong and associated with the so-called triple bottom line: Planet, People and Profits, having Sustainability at the heart of Enel's Open Power strategic approach, and putting environmental, social, and economic sustainability at the center of its corporate culture.

Beyond the words, ENEL is seeking to implement a sustainable development system based on the creation of shared value, inside and outside of the company. Commitment to SDGs, to ESG practices and CSV – Creating Shared Value - are some roads to integrate sustainability into business and ultimately to accomplish the triple bottom line perspective. However, there are other paths shaking Corporate Models, and one of them are the Benefit Corporations.

In this line, this Study intends to demonstrate a provocative investigation about “Paradigm Shift in the Corporate Model through Benefit Corporations”, considering the relevance of a customer centric economy, taking into account that Millennial and Z Generations show a great concern with purpose and values of activities, jobs and very likely, investments, including, but not limited to, stock investments and investment funds.

Furthermore, taking a glance at ESG practice *versus* consumer/investor perception: cognitive bias and skeptical behavior (eg opportunism and greenwashing). Therefore, the central question is: how to make user and consumer recognize ESG delivered promises and whether this could affect positively other market scores NPS – Net Promoter Score - and Customer Experience?

The authors of this Paper believe the answer comes with a great potential in ESG, through the critical analysis of Benefit Corporations, to impact customer perceived satisfaction and brand loyalty. However, a compelling link needs to be constructed in addition to messaging or narrative. In the search for such a pivotal element, this study consider supply chain as a strong conduit for this narrative to be compelling in the view of customers.

This is because, in supporting the development goals in communities and helping them to achieve sustainable goals in terms of community impact, production process and other variables, it is possible to create a visible and tangible story telling. In other words, if the social commitment is strongly communicated in the industry, as, for example, by Benefit Corporations and B Corps evaluation, it is likely to produce a positive spillover on other consumer metrics.

In the case of Enel - across divisions – authors believe that customer metrics will be an important indicator in years to come due to relevant industry and technology chains. This is also true in terms of the participation of Enel in public exchanges, both with investment funds as individual investors (very relevant in many markets where Enel is present).

Considering that the individual, (i.e) the consumer, is central to the ESG narrative be impactful, it is relevant to build a strong case, not only in terms of investors but, in the case individuals of the real impact Enel is looking for in the communities where it is present, by means, many times, of its supply chain.

Therefore, the proposal of this paper is to build a case that for supporting the supply chain to achieve ESG goals, derived from SDG, Enel framework that considers statutory laws and regulations, tendencies and region needs, in accordance with the established Stakeholder commitment, CVS and other relevant considerations including those of the Benefit Corporations and B Corps, whenever applicable. The support may include training, community cases, financial support, access to services such legal support, financial knowledge, and other measures.

By helping the supply chain to achieve a better delivery in terms of sustainability, authors believe that it is possible to make a visible impact in terms of ESG, and that the program

needs to include the engagement of communities in a way that the ESG impacts arrives as a message to costumers and other stakeholders in different regions.

Finally, this paper contribution will include:

- **A detailed review of BCorps applicable framework, both legal and operational, including its evolution, similar models around the globe and influence on the SDGs;**
- **Lessons learned from success cases;**
- **Potential positive impacts of lobbying for BCorps legislation;**
- **Challenges for widespread adoption of BCorps standards;**

This study consider that the proposal at hand is attractive from a cost-benefit perspective since such measures do not imply a very high financial commitment in comparison to the possible generated impact. The support of supply chain would be useful to Enel Group, as well as to any other markets or business models, and its range of applicability, seems to us, is the most likely to maximize the positive impact of possible action within corporations.

2. DEVELOPMENT OF BENEFIT CORPORATIONS AND LEGAL FRAMEWORK AROUND THE GLOBE

As a starting point, it is relevant to define Benefit Corporations, and BCorps[®], in order to differentiate them, and better understand their limitations.

Benefit Corporations are the genus to which a certified BCorp[®] is species. As a movement, benefit corporations started as an initiative in the U.S., in 2006, by BLab[®], a Nongovernmental Organization (NGO), having as its mission to “redefine success in the business”.

As the BCorp[®] website explains, “Certified B Corporations are businesses that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose. BCorps[®] are accelerating a global culture shift to redefine success in business and build a more inclusive and sustainable economy.”² Concisely, BLab[®] creates standards to evaluate and assess how a company’s operations and business model affects its workers, community, environment, and customers, in order to provide a certification. The certification proposes a framework to guide companies’ action towards a Blue Economy, as well as the SDG Action Manager.

It was created as a new corporate business model and denominations for for-profit entities, as counterpoint to Brown Economy companies, in a scenario, particularly in the USA, that adopts the shareholders primacy doctrine. Having a legal framework assists companies “to protect mission through capital raises and leadership changes and gives entrepreneurs and directors more flexibility when evaluating potential sale and liquidity options”.³

“The need for this new corporate form exists, because U.S. courts generally recognize and reinforce the theory of shareholder wealth maximization. This concept makes the maximization of shareholder value the director’s duty. While the extent of this duty remains in dispute, the general concept is that directors cannot pursue a business strategy that forgoes shareholder wealth maximization. **Consequently, directors who make decisions, which cannot be justified as**

² <https://bcorporation.net/about-b-corps>

³ <https://pardot.bcorporation.net/USCanadaLegalRequirementResource>

shareholder wealth maximization oriented, are at risk of being sued for a breach of duty. (WOLFF, 2015)⁴

In this sense B Corps are required to amend their bylaws to insert clauses stating their commitment in generating benefits to the community and not just to its shareholders and that is a big challenge for many corporations.

Therefore having specific legislation to protect initiatives such as benefit corporations and, consequently, BCorp[®] certification process, was a fundamental step to allow the establishment and evolution of said model, that considers society and the environment, in addition to profit in their decision making process, and resulted in lobby initiatives required/enforced by BLab[®] to the companies adhering to its format, even having a proposed model legislation⁵ to be worked with governments. The importance of lobby in this area will be further discussed in Chapter IV as well, as the necessity to provide legal evidence to the stakeholders of how important a sustainable economy is to the company, as further analyzed in Chapter V.

Certified BCorps[®] and benefit corporations intend to be agents of a new way to do business, but they are not the same thing. The first have been certified by BLab[®], as explained in the next item, and benefit corporations, in general, where legislation is already in place, are entitled to receive certain benefits upon implementation of its model. A corporation can be BCorps[®] and not benefit corporations in the legal sense, as well as the other way around.

To be a BCorp[®], therefore, is not a legal requirement per se, or an unique business model, but its creation and development supported the development of legislation across the globe in the hunt for similar goals (“triple bottom line” of “people, planet, and profit”), which, in exchange, engrossed the number of companies seeking certification to obtain recognition of its stakeholders, in a symbiotic evolution.

2.1. LEGAL REQUIREMENTS⁶ TO BE CERTIFIED AS A BCORP[®]

The Legal requirements for certification as a BCorp[®] include, but are not limited to:

- (i) Adoption of a benefit corporation structure or equivalent;

⁴<http://www.furriela.adv.br/en/?artigos=teste-artigos-novos#:~:text='People%20using%20business%20as%20a,solve%20social%20and%20environmental%20issues.>

⁵ https://benefitcorp.net/sites/default/files/Model%20benefit%20corp%20legislation%20_4_17_17.pdf

⁶ <https://bcorporation.net/certification/legal-requirements>

- (ii) Having specific mission-aligned language in its governing documents;
- (iii) Compliance with a designated legal framework in certain regions; and
- (iv) Supporting of B Lab®'s public policy objectives of passing benefit corporation legislation in its state, province, or country of incorporation.

The adoption of said standard/legal requirements (i) might occur prior to the constitution of a company, (ii) needs to be adopted before its certification, in case a company has less than 50 (fifty) employees, or, (iii) for companies with 50 (fifty) or more employees, can be completed in a determined timeframe after the certification. Currently, due to the volume of companies seeking certification, B Lab® disclosure in its webpage that the process might take from 3 (three) to 10 (ten) months to complete, and from 1 (one) to 3 (three) submissions.

Together with the above requirements, the company interested in being certified shall complete a B Impact Assessment (“BIA”), aiming to assess whether or not the company’s goals are aligned with B Lab®’s principles. After completing the BIA, B Lab® will verify the score to determine if the company meets the 80-point bar for certification, a virtual meeting will be schedule so that B Lab® can review the BIA and request confidential information to validate the responses. The processes, therefore, although apparently simple, can actually be expensive, time consuming, and requires corporate efforts that might be incompatible with or undesirable for the business.

The BIA will be further explained and compared with SDG’s in Chapter VI, as well as the importance of having metrics, such as the annual benefit report proposed in the model legislation of B Lab®, that assesses companies’ performance in creating general public benefit against a third-party standard to provide an important protection against the abuse of benefit corporation status.

As explained by B Lab® **“Companies can only consider impact over time if they are legally allowed (and even required) to do so.** Building on the success of benefit corporation legislation in the U.S., B Lab is already working with governments in several countries to create and implement mission-aligned structures and working in all its regions to promote their use.”⁷ In this regard, different countries have already passed legislation connected or aligned with the same objectives, as demonstrated in the sequence.

⁷ <https://benefitcorp.net/international-legislation>

a. United States of America

The USA currently have 37 (thirty-seven) laws passed, and 4 (four) under discussion⁸, regulating the implantation of benefit corporation in its different States. The legislation differs depending on the state, but all require corporations to define at least social and environmental specific goals in their bylaws, as well as obliging their directors to consider such goals in the decision-making processes.

The legislation aims, as mentioned in the section above, to protect directors against eventual actions of shareholders in case the social and environmental goals interfere with the financial corporation goals. Legislation also grants the possibility, in some states, to the board of directors to pursue “benefit enforcement proceedings”⁹, to guarantee that the intended social and environmental impact is achieved, and the investments advance, both from a social and environmental standpoint, as well as financially.

The main advantage of benefit corporations for an actual benefit corporation in the United States seems to be the branding and marketing impact. Certified BCorps[®] or benefit corporations (legally recognized as such), adopt a label that allows them to seek other partners with similar goals, and opens up investment opportunities. This status enhances the marketing strategies, and advertises the company as socially responsible to the public, convincing them to purchase not only the product or service, but the idea that, by doing so, they are contributing to a better future for the world.

It is clear actual benefits might, regardless of the market use, be produced and felt to the people and the planet, but strong metrics and legislation verifying it should be in place to guarantee that the alleged benefits are supported by facts.

Most of the legislation in place, though, do not establish how the alleged benefit goals must be achieved, or how the corporate directors must fulfill and meet their obligations of achieving not only financial profit, but also “greater public benefit”, thus creating a gray zone that still pends of solution. Lack of accountability misleads consumers, investors and stakeholders in general, and creates an unfair competitive corporate environment.

“Strong internal metrics within a corporation, continued audits and oversight by third parties, and annual benefit reports are currently preventing faux corporate social responsibility and will continue to effectively do so in the future. Though

⁸ <https://benefitcorp.net/policymakers/state-by-state-status>

⁹ <https://forpurposelaw.com/benefit-corporations-who-enforces-rules/#:~:text=A%20benefit%20enforcement%20proceeding%20means,set%20forth%20in%20its%20articles>

legislatures should certainly improve benefit corporation legislation with clearer dissenters' rights and procedural complaint processing provisions, if a benefit corporation strays from its stated social purposes, third-party assessments will publicly expose the corporation to the public and thereby coerce change."¹⁰

In the US the benefit corporation status granted by law affects the requirements of corporate purpose, accountability, and transparency, but in order to obtain actual tax benefits a company still needs to meet other requirements in order to be taxed, and have related benefits of an S Corporation¹¹. States regulate Benefit corporations, while the tax benefit is granted at federal level. A corporation might be both a Benefit and an S Corporation, if meeting necessary criteria of both legislation.

b. Chile

In 2012, Chile was the first country to have a Certified BCorp[®] outside the U.S.¹². Global Partnership was then created first with Latin America, by means of the creation of *Sistema B*, before expanding globally for other regions, Australia, New Zealand, and Europe.

Sistema B was created to enable the partnership and licensing agreement with BLab[®], and, as BLab[®], *Sistema B* is a NGO with headquarters in Chile, with locations in Brazil and Colombia, among others, and with same purposes of BLab[®], facilitate the creation of a new economy, to establish a market that has space for environmental e social concerns and protection.

Sistema B has been working with governments and policymakers since its creation to develop a legal framework necessary to allow companies to work aligned with the mission and principles of BCorps[®].

Chile currently is discussing the creation of *Sociedades de Beneficio e Interés Colectivo* ("Sociedades BIC")¹³ which allows the redefinition of corporate purposes¹⁴. Its legal model of triple impact companies are growing in size and importance in Latin America, and allows the creation of for profit corporations in which its shareholders undertake the commitment

¹⁰ <https://scholarlycommons.law.northwestern.edu/cgi/viewcontent.cgi?article=1808&context=njilb>

¹¹ <https://benefitcorp.net/faq>

¹² https://books.google.com.br/books?id=QSVhDwAAQBAJ&pg=PA17&lpg=PA17&dq=benefit+corporation+chile&source=bl&ots=QrRzA_j48o&sig=ACfU3U3ShQXSMpl5DphtT'MOKxCoUlmEgUQ&hl=ptBR&sa=X&ved=2ahUKEwiji4GmptvxAhValLkGHQ9yBEUQ6AEwCnoECAoQAw#v=onepage&q=benefit%20corporation%20chile&f=false

¹³ <https://www.bcn.cl/laborparlamentaria/wsgi/consulta/verParticipacion.py?idParticipacion=1688546>, Project presented in May 2017, as per Boletín N°11273-03

¹⁴ <https://www.camara.cl/verDoc.aspx?prmID=118226&prmTIPO=DOCUMENTOCOMISION>

to generate positive social and environmental impact as the center of its business, together with economic growth.

“Puede definirse como Sociedad B.I.C. a toda aquella persona jurídica, presente en una legislación comercial que realiza actividad económica, reparte utilidades a sus accionistas y se caracteriza porque estos últimos y los gestores de la sociedad buscan construir un beneficio público social o ambiental, según lo establecido en su Estatuto”¹⁵

Sociedades BIC are not the same as *Empresas B* (BCorp®), but both share the same principles and goals. The approval of said legislation will most likely enhance the growth of benefit corporations and certifies BCorps® in Chile.

c. Italy

Italy¹⁶, in 2016, became the first country outside the USA to approve a law on benefit corporation, known as *Società Benefit* in Italy, allowing for-profit companies to have profit distribution as their final goal, but to achieve a public benefit at the same time, in a responsible and transparent way¹⁷. As well as with the US legislation, the main purpose of the Italian legislation is to identify how directors shall balance financial interest of shareholders with the common benefit goals. An annual report regarding such achievements must be attached to the annual financial report, with the description of the objective and actions actually implemented to achieve them, together with the analysis of the generated impact.

The background in which the *Società Benefit* legislation was created in Italy is different from the US, as civil law, in many countries to adopt it, allows the interest of stakeholders to be taken into consideration, not only the shareholder primacy doctrine. Therefore Italian legislation aims not only to protect the director or board of directors, but also mainly to promote the business model with economic, social and environmental purposes.¹⁸

Benefit corporations in Italy are not required to be Certified BCorps®, but they might use the BIA as a third-part assessment to comply with the request of the annual report. As in

¹⁵ Mujica Filippi, Juan Diego. (2016) *Sociedades de Beneficio e Interés Colectivo: Un aporte societario al bienestar social y medioambiental*. Lima: Universidad de Lima, p. 29. In <http://static.elmercurio.com/Documentos/Legal/2020/08/21/20200821112735.pdf>

¹⁶ <https://esela.eu/news/italy-introduces-landmark-new-law-b-corps#:~:text=B%20Corps%2C%20which%20will%20be,environmental%20performance%2C%20accountability%20and%20transparency>.

¹⁷ <https://bateswells.co.uk/wp-content/uploads/2019/06/benefit-corporation-article-june-16-pdf.pdf>

¹⁸ <https://esela.eu/news/benefit-corporation-seminar-new-b-corp-legislation-business-italy-today>

the US, it is helpful a relationship between BLab and the legislation, but they are not to be confused.

Recently impulse by the Covid-19 pandemic, a significant amendment was introduced to the *Società Benefit* law, as by means of Law 17th July 2020 n. 77. “Article 38-ter, Attachment 1, recognized specific incentives for *Società Benefit* consisting of a 50% tax credit as a reimbursement of the costs to adjust to the requirements set by Law 208/2015 to become a benefit corporation. The incentives introduced by Law 17th July 2020 n. 77 are significant in order to promote this innovative entrepreneurial solution aiming at balancing profits along with shared value for the stakeholders”¹⁹

d. Colombia

Colombia was the third country in the world to enact legislation regulating the benefit corporation model, only after U.S. and Italy. The *Sociedades BIC* legislation was initially presented September 06, 2016, and approved by the Colombian Senate on July 18, 2018.

Sistema B was an active participant in the process of having this law approved, but it was not the sole or biggest contributor, and the approved text is not fully adherent with the model generally intended by BLab®. It is said that the quick approval and development of a favorable scenario in Colombia is due to the involvement and interest of a senate member that became the current president, Ms. Iván Duque, and his efforts to influence the legal framework approval

Following the approval of Law N. 1901, *Superintendencia de Sociedades de Colombia* approved, on October 10, 2018, a resolution creating transparency standards that must be met by *Sociedades BIC*, with the concept of an independent third party, and four international standards to be met.

Subsequently, on November 12, 2019, a complement to the regulation introduced by *Superintendencia de Sociedades*, and a new Decree, N. 2046-201921, was published to provide commercial and tax incentives to companies adopting the *Sociedade BIC* model.

This legislation not only provides incentives, but also determines the government body responsible for the surveillance of *Società BIC*, *Cámaras de Comercio*, and provides clarifications of minimum criteria to be observed by the *BIC*, such as corporate governance, labor practices, environmental and social practices, the content of the report of

¹⁹ <https://s3.amazonaws.com/documents.lexology.com/073f93f5-fff1-48bf-b511-328e7c96d6da.pdf?AWSAccessKeyId=AKIAVYILUYJ754JTDY6T&Expires=1626008893&Signature=81lqPWrTqf%2F7X62qWKm4Yk2b2%2BU%3D>

management of the activities of the *BICs*, as well as the consequences in case such criteria are not meet.²⁰

The legislation as construed in Colombia provides a stronger and secure scenario for all stakeholders, as corporations already have clear incentives and a legal framework, and consumers will not be led to believe in benefits that are not clearly supervised or meet.

e. Brazil

Brazil does not have specific legislation establishing corporate model to implement benefit corporation, but several Brazilian companies have already been certified as BCorps® and are taking advantage of the associated benefits, such as the marketing strategies abovementioned.

Similar to Italy, civil law adopted in Brazil might not have a corporate format to be used, but the legislation has in its core, in the Brazilian Constitution²¹, that corporation must have a social function²², and said principle is, consequently, observe by corporate law²³. Such fundamental principle determines that private and public interest must be balanced.

While the corporate purpose might limit the corporate activity, the social function must always be considered. Although only the social function of corporation as a principle might not be enough, and lobby towards a more specific legislation remains necessary and useful, as further explained in Chapter IV. Lobby for the Planet, current legislation does not forbid or prevent the adoption of responsible social and environmental goals.

After environmental disasters in the mining industry in Brazil²⁴, a Presidential Decree, N. 9244/17, later replaced by Decreed N. 9.977/19, created *ENIMPACTO - Estratégia Nacional de Investimentos e Negócios de Impacto*, an initiative intended to engage agents of federal government, as well as private sector and civil society. *ENIMPACTO* goal is to promote a favorable environmental to the development of investments and businesses that causes positive impact. *Portaria MDIC n. 252-SEI*, issued on February 06, 2018, allowed several public agencies to work towards facilitating positive impact investments. *Sistema B* is part

²⁰ <http://static.elmercurio.com/Documentos/Legal/2020/08/21/20200821112735.pdf>

²¹ http://www.planalto.gov.br/ccivil_03/constituicao/constituicao.htm

²² <https://jus.com.br/artigos/56478/principio-da-funcao-social-da-empresa>

²³ http://www.planalto.gov.br/ccivil_03/leis/l6404consol.htm

²⁴ <https://epocanegocios.globo.com/colunas/noticia/2019/03/em-meio-tragedia-uma-oportunidade-para-fortalecer-governanca-nas-empresas.html>

of this initiative and it is expected that legislation protecting and providing stimulus for benefit corporations and BCorps® will start to be discussed in the near future.

2.2. CASE STUDIES

In order to provide some examples of how (i) benefit corporations and (ii) other companies that publicly adopt SDG standards (even though not as benefit corporations) are causing a positive paradigm shift, we present stories of some remarkable companies we admired, are clients of, would be proud to be employee of, or are just inspired by.

“We at Patagonia want to build the best product, cause no unnecessary harm, and use business to inspire and implement solutions to the environmental crisis”

a. Patagonia Works

Patagonia is an outdoor apparel company whose mission currently seems not to be to develop or sell its products, but actually is **“We are in business to save our home planet”**²⁵.

Patagonia “has an employee handbook titled “Let My People Go Surfing,” ads that say “Don’t buy this jacket,” and an ongoing commitment to give 1% of sales to environmental groups (approximately US\$20MM annually)”²⁶

Above all, the company is known for its radical attitude towards a shift in the traditional corporate model. In Patagonia’s view putting all stakeholders at the center,

and not only the shareholders, is aligned with the best interest of the company, as it improves retention of personnel, levels of production, and, in its experience, financial return as well, even if with lower investments in advertising²⁷, and maximization of investments in social and environmental activities.²⁸

²⁵ <https://www.patagonia.com/activism/>

²⁶ <https://www.linkedin.com/business/talent/blog/talent-connect/ways-patagonia-built-ridiculous-culture>

²⁷ <https://www.forbes.com/sites/veronikasonsev/2019/11/27/patagonias-focus-on-its-brand-purpose-is-great-for-business/?sh=2ce44bb054cb>

²⁸ <https://interdependencecoalition.eu/case-studies/patagonia/>

Patagonia is one of the most famous certified BCorp[®]s, with strong belief in the necessity of a strong legal framework that allows companies, whether or not privately owned, as Patagonia is, to build corporations that have, at its center, the mission of construction a better future for all stakeholders.²⁹

Some of the most unexpected activities viewed as “normal” to Patagonia are:

(i) The current model of selling secondhand apparel of their brand in its stores and websites, by which Patagonia recognizes that it is part of the problem and offers a solution. Their products come with a lifetime guarantee and Patagonia started to encourage customers to repair old items rather than replacing them. “Their criteria for the best product rests on function, reparability, and, foremost, durability. Among the most direct ways they can limit ecological impacts is with goods that last for generations or can be recycled so the materials in them remain in use. Making the best product matters for saving the planet.”³⁰

(ii) Within the “mantra” of its HR guide, “Let My People Go Surfing,” it is embedded in the radical culture of not only toleration flexibly, but embracing it. Patagonia only has about 4% turnover each year.

(iii) In 2018, it sued the Trump administration to block the Department of Interior plans to reduce the size and to protect Bears Ears National Monument.³¹

Patagonia does roughly \$1 billion in sales each year, has 3,000 employees around the world, and yet seems to adopt truly unexpected and, for more traditional companies, even potentially harmful attitudes, but all of them are, in the end, putting its mission truly in action: “**We are in business to save our home planet**”.

Patagonia founder, Mr. Yvon Chouinard, acknowledge the importance of being part of BCorp[®] movement, but also that its most important contribution is to have a framework to be followed towards a better business model, and that currently there are other models (in our understanding such as SDGs) that could assist other businesses:

“Patagonia’s adopted a pair of progressive benchmarks for cleaning up its own act. One was becoming a B Corp in 2011. Has that been worthwhile?

²⁹ <https://bcorporation.net/directory/patagonia-inc>

³⁰ <https://bcorporation.net/directory/patagonia-inc>

³¹ <https://www.nytimes.com/2018/05/05/business/patagonia-trump-bears-ears.html>

Yes. It hasn't caught on as much as I'd hoped, but it does provide a framework. We've heard from other businesses that it's helped them, too. When we started looking into a lot of this, there weren't many places to go for help. Now there are some pretty good ones."³²

b. Yunus Social Business GmbH

Yunus Social Business was developed together with Prof. Muhammad Yunus, a Nobel Peace Prize Laureate, using a model similar to the initial one that granted him the honor of said award, the Grameen Bank.

Yunus Social Business, is not a BCorp[®] or structured as a benefit corporation specific legislation, but, as explained by its website, it is a **social business**, "a company with a social mission at its core. Set up to solve a specific problem to the **benefit of poor or disadvantaged members of society**, social businesses operate exactly like normal companies except for a few small differences. Unlike a charity, a social businesses generates profit and aims to be financially self-sustaining. Removing the need for fundraising allows social businesses to **reinvest profits back into generating sustainable social impact**. A social business **creates income for disadvantaged populations or serves them as its primary customers. 100% of the company profits are reinvested** in continuing the company's social mission."³³

This company has ongoing research to facilitate "business as **unusual**"³⁴, to explore initiatives together with social *intrapreneurs*, social entrepreneurs, CEOs, Shareholders and Stakeholders, to act towards transformation of business for the better. Among their initiatives some are perfectly aligned with BCorps[®], such as to seek ways to assist companies to center their corporate purpose to allow them to be "forces for good", but acting top down, speaking with CEOs and shareholders to work with their experiences and assisting to reach both objectives, the traditional profit, reoriented to transform them and also include social aspects at their core.

³² <https://www.patagonia.com/stories/whats-at-stake-is-the-future-of-humankind/story-72130.html>

³³ <https://www.yunusssb.com/about-us>

³⁴ <https://www.yunusssb.com/business-as-unusual>

Another incentive that are aligned with the issues trusted by this Study we, as a group believe that produces strong results, are the **Social Procurement**³⁵: “social enterprises need support to make the partnerships work. We will be mapping the social procurement journey, providing case studies and practical tools for companies that want to start ‘**buying social**’.”

In 2020, Yunus Social Business completed 10 (ten) years of financing and growing game-changing social businesses. At the center of their activity in the last year, as expected, were COVID-19 focused action, funding businesses not able to seek other forms of investment: “The right kind of funding does not always find those that need it most. That is why we target social-business entrepreneurs in the “missing middle:” too big for friends and family but too small to be on the radar of most impact investors or financial institutions.”³⁶

Yunus Social Business provides financing to social businesses in East Africa, Latin America and India (Brazil, Colombia, Kenya and Uganda), with focus ranging between Agriculture, Energy & Environment, Education, Livelihoods and Health & Sanitation.

Directly to Covid-19, they acted in a with a sector-wide COVID Response Alliance for Social Entrepreneurs, “co-initiated with the World Economic Forum, bringing together over 80 impact organizations to raise bail-out funding and coordinate the response of the sector”.³⁷

With 4.6 million dollars disbursed in 2020, Yunus Social Business was able to positivity impact the lives of 3.6 million lives, maintaining, during this unprecedented health and

“social enterprises need support to make the partnerships work. We will be mapping the social procurement journey, providing case studies and practical tools for companies that want to start ‘buying social’.”

³⁵ Idem.

³⁶ https://static1.squarespace.com/static/5c2cc95ccc8fed340f66a526/t/60ed8a356ebf0d48ea90c355/1626180181757/YSB+-+Annual+Report+2020_web.pdf

³⁷ Idem.

financial crises, its financially self-sustaining model, and also living the growth of interest of other companies in acting towards similar, SDGs, goals, and undeniable paradigm shift in the traditional corporate models:

“During COVID-19 in 2020, we witnessed an acceleration in the interest in Environment, Social and Governance (ESG) investment topics. Governments, investors and companies are striving to use the opportunity to establish best practices and build back better after the pandemic shock. As a well-established impact-first investor, Yunus Social Business has an opportunity to position itself strongly in this growing market.”³⁸

³⁸ Idem.

3. LOBBY INITIATIVES FOR THE PLANET: A CALL FOR ACTION

Supporting, being involved, or advocating in discussions about Benefit Corporations and, beyond that, to generate positive incentives in the shift of values related to turning feasible for Companies to adopt benefit corporations' models or opt to be a Certified B Corporation, seems to be a necessary chapter into this story and a provocative change. Indeed, more than these two options, exploring and enhancing a true connection and commitment to action in the direction of sustainable governance changes through distinct strategies are mandatory in this scenario.

Those actions are conceivable in different forms, one is directly participating in legislative discussions on topics regarding environment conservation, health, and consumer fairness legislation, supporting those legislation. It is a common and tough choice, as much corporate lobbying has a poor reputation, and, even corporations with kinder, greener practices, sometimes, support legislation that contradicts their socially responsible image.

From the 90's to the beginning of 2000's, according to ActionAid International, in Europe, companies spend between €750 million and €1 billion (\$1.1 billion to \$1.4 billion) annually to lobby the European Union, whereas only 10 percent of European lobbyists' expenditure were to social issues (PETERSON, 2009). Currently, there is considerable information transparency about lobbying in some countries, one of them is the website "LobbyFacts.eu" or even, in EU, through the transparency register. As demonstrated by "LobbyFacts.eu (LobbyFacts.eu, 2021)", since December 2014, the type of organization on the EU lobby register that had increased most was Corporate.

As Kyle Peterson & Marc Pfitzer predicted in 2009 (PETERSON, 2009)³⁹, Corporations are armed with better conditions to lobby for good to make the case for improving safety, climate change, and fostering economic development, and at the same time, are a fast track to help NGOs to get better results to social problems, changing laws, and encouraging new approaches to government services. *"Many corporations leave large footprints in their wake. Lobbying for good is an innovative way to reduce the negative value chain impacts of products and services. Even more valuable, though, is a company that uses lobbying for good to create new standards for entire industries. The company that pushes for improved*

³⁹ Lobbying for Good <https://ssir.org/pdf/LobbyingForGood.pdf> PRINT ORDER REPRINTS By Kyle Peterson & Marc Pfitzer Winter 2009, viewed On May 30, 2021.

standards can create competitive advantage for itself and safer, more environment-and consumer-friendly products and services (PETERSON, 2009)”.

After more than a decade from the prediction above, European companies are being required to comply with mandatory human rights and environmental ‘due diligence’, related to its footprints. It is a present claim to an effective action in identifying, preventing, mitigating, and accounting negative impacts of those activities, including subsidiaries, subcontractors, and suppliers. These claims arose from a study of European Commission which demonstrated that voluntary “Corporate Social responsibility” (CSR) made by companies had failed to protect the environment and human rights.

Furthermore, European companies are being shaken by sustainable agendas that are mixed up with the bigger view of the discussion: (i) the sustainable corporate governance agenda (which includes EU Taxonomy Register; Sustainability Benchmarks and Platform on Sustainable Finance) and (ii) Sustainable Corporate Governance (which involves duty of care, due diligence and remuneration of director); which combined act as a pillar to European Green Deal.

Following this direction, some European B Corps companies signed and integrated a call to Action named “The Interdependence Coalition”, directed to companies registered in the European Union and which vision is *“for business leaders to work together for the benefit of all people and the planet”*.

The core proposal of the Interdependence Coalition is that: *“Board directors of companies registered within the European Union must consider the interests of all the company’s stakeholders in their decision making”*, compulsorily and no more in a voluntary sense. According to its paper call, this default change could bring the following benefit to European businesses⁴⁰: (I) Business benefits; (II) Investors benefit; (III) Empowered directors; (IV) Reporting becomes meaningful

Besides the European coalition, other actions are happening around the globe and can be tracked as good example of lobbying fostering it directly or indirectly. Some of them are mentioned in Interdependence Coalition website and are reproduced below (EU, 2021):

“United Kingdom

⁴⁰ “The Interdependence Coalition Call to Action” downloaded from <https://interdependencecoalition.eu/international-context/> on July, 7, 2021.

The UK Better Business Act Coalition seeks to amend the Companies Act (2006) to make sure every single company in the UK, whether big or small, aligns the interests of their shareholders with those of wider society and the environment (<https://betterbusinessact.org/>).

United States of America

In the US The White House Initiative on Inclusive Economic growth is a coalition of over 50 impact led organisations spearheaded by the U.S. Impact Investing Alliance and B Lab. The aim would be to coordinate federal policies focused on boosting stakeholder capitalism and community investing. Ultimately, the objective is to redefine capitalism—to go beyond incremental change, the better to address a trifecta of massive crises: the economic fallout from the pandemic, a widening racial wealth gap and the impact of climate change. Forbes describes the depth of the coalition and scope and vision of the initiative, which was based on a background paper: From Shareholder Primacy to Stakeholder Capitalism. B Lab US has produced this Board Playbook to guide directors of companies in establishing stakeholder governance and engagement.

Latin America

In Latin America & Caribbean, a variety of inclusive economy initiatives are in place or underway, including the adoption of B Impact Assessment criteria on the Corporate Responsibility Index of the San Paolo stock exchange and public procurement initiative in Mendoza/ARG to embed impact as a criteria, and adoption of stakeholder governance statutes in a legal form in Colombia, Peru and Ecuador. An international working group is promoting a triple impact economic recovery throughout the region mobilizing hundreds of public leaders

(<https://sites.google.com/view/gitre/espa%C3%B1ol?authuser=0>).

Australia

As is the case in many global economies, companies in Australia are being judged by a higher standard of being good corporate citizens, and their reputation (and consequently their financial position) can be impacted when they fall short. In this context, B Corps are leading the way by embedding their intention to hold themselves to that higher standard within their governing documents, confirming their profit with purpose motive as part of the understanding between each B Corp company and its shareholders and directors as to how the company conducts its business. In Australia,

B Lab continues to drive this evolution from shareholder primacy to stakeholder governance by encouraging more companies to follow this path (<https://www.bcorporation.com.au/legal-requirement>)”.

Besides that, an Innovative approach to make lobbying a good tool for change is by providing critical knowledge to company’s employees, communities, suppliers, and even by supporting NGO who can act next to lawmakers. All those groups are made by citizens and enhancing them to commit to change is a practice that goes beyond the way of doing business. As evidenced by **The Good Lobby**⁴¹, a non-profit civic start-up committed to equalizing access to power for a more plural, inclusive and democratic society, *“If citizens’ movements embrace the same repertoire of tools to influence the decision-making process, they can actually hold politicians accountable on the promises they made to reduce greenhouse gas emissions”.*

As noted by Kyle Peterson & Marc Pfitzer “Companies that move beyond responsible lobbying to lobbying for social issues that are relevant to them may be practicing one of the most powerful forms of corporate social responsibility” (PETERSON, 2009).

In this sense, enhancing different stakeholders’ knowledge are a relevant tool, simple projects can be adopted as a good start to create this chain value change.

⁴¹ <https://www.thegoodlobby.eu/2021/06/05/the-planet-needs-citizens-to-move-from-protest-to-lobbying/>
Viewed in 1st of July, 2021

4. STAKEHOLDERS MINDSET SHIFT

Focusing mainly on profit maximization is one core principle driving the business world. Companies, in particular those listed on regulated markets, face pressure to focus on generating financial return in a short timeframe and redistribute a large part of the income generated to shareholders, which may be to the detriment of the long-term development of the company, as well as of sustainability.

However, as it is exposed in this Study, over the past few decades, the boundaries between the public (government), private (business), and social (nonprofit) sectors have become blurred as organizations merge social and environmental aims with business approaches.

Benefit Corporations operates with the aim of achieving a wide range of public, philanthropic and environmental benefits that directly reach the stakeholders as a whole. This corporate model is characterized by a focus on stakeholders in a broad sense⁴².

Whereas shareholders are often the party with the most direct and obvious interest at stake in business decisions, they are one of various subsets of stakeholders. A mapping of a company's stakeholders might identify several stakeholders, the most directly affected are the following:

- Shareholders
- Employees
- Communities
- Creditors
- Investors
- Government
- Customers
- Suppliers
- Labor unions
- Government regulatory agencies
- NGOs and other advocacy groups

⁴² Stakeholders are the people, groups or things that affect or be affected by the actions of a business. In a corporation, a stakeholder is a member of "groups without whose support the organization would cease to exist" as defined in the first usage of the word in a 1963 internal memorandum at the Stanford Research Institute. In the last decades of the 20th century, the concept has been enlarged to include everyone with an interest (or "stake") in what the entity does.

By the end of the 20th century started a movement in which the shareholder's demands are no longer the only ones pursued by companies, especially in crisis context, when the other stakeholder's demands can conflict directly with shareholder's demands. Corporations leaders were pushed to account all business impacts on their shareholders and other stakeholders, committing to lead for the benefit of all stakeholders⁴³.

Stakeholder Capitalism, in opposition to the Shareholder Primacy⁴⁴, seek long term value creation, by considering the needs of all their stakeholders, and society at large.

Under the influence of Stakeholder Capitalism corporations are changing their look beyond their own financial returns and are taking accountability for the impact they have on the social and ecological systems on which a more just, inclusive, equitable, and prosperous economic system depends.

In order to effectively engage with the stakeholders, the Board of Directors needs to understand their needs and expectations, understand their attitude (supportive, neutral or opposed), and be able to equalize those expectations with shareholders expectations.

The most important characteristic of the stakeholder capitalism model today is that the stakes of the system are now more clearly global.⁴⁵ The Benefit Corporation and its legislation around the world reflects a growing trend of carrying on business activity in a more transparent and responsible manner to a broader group of stakeholders beyond just shareholders.

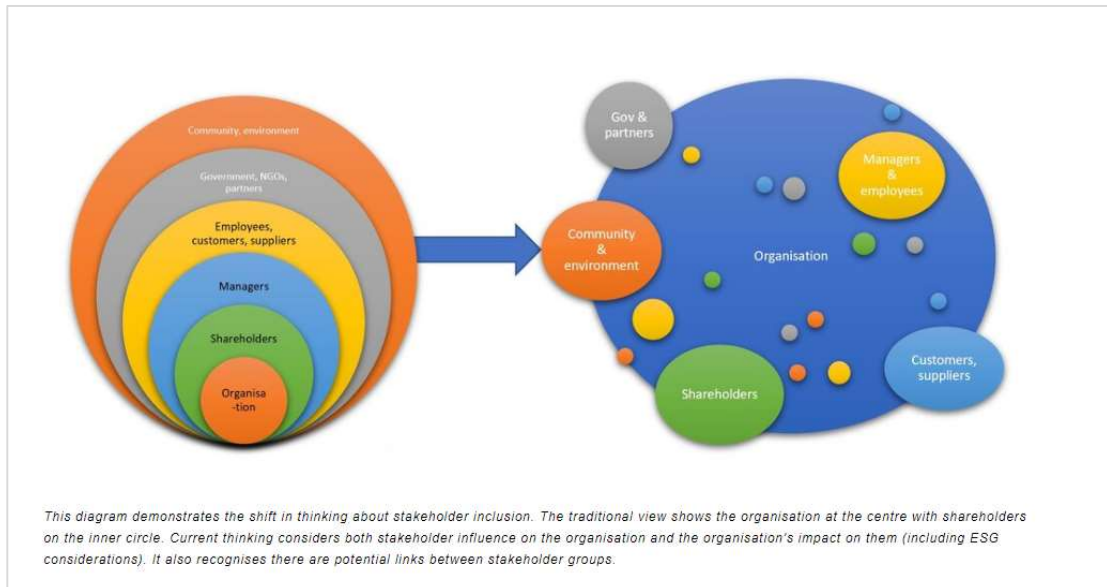
The option for a Benefit Corporation model will add complexity and cost to the company, but by doing so, the company will be able to get proximity and learning from stakeholder expectations. It can be viewed as a good star point for those who are not familiar with other sustainability actions. Thus enabling investors to work together to establish sustainability guardrails that end extractive corporate behavior, re-focusing corporations on real value creation that promotes quality jobs, healthy communities, human dignity, the resilience of our planet, and a more inclusive and just economic system for all. It is a business model

⁴³ In 2019, many of the largest and most recognized corporate leaders in the United States released a new Statement on the Purpose of a Corporation, pledging to work for the benefit of all stakeholders — customers, employees, suppliers, communities, and investors — what we are calling Stakeholder Capitalism.

⁴⁴ The so-called Shareholder Primacy is the norm across the West of the Globe as multinational companies started to lose their ties with local communities and national governments and focus on maximizing short-term profits for shareholders. It has the business purpose of unrestricted profit for shareholders, regardless of the loss caused by obtaining such profit. A bunch of corporate scandals in the last decades have been contributing to scratch and to put this Primacy in check.

⁴⁵ What is stakeholder capitalism? - Klaus Schwab and Peter Vanham - <https://www.weforum.org/agenda/2021/01/klaus-schwab-on-what-is-stakeholder-capitalism-history-relevance/>

that uses a stakeholder mindset driving to a long-term shareholder value. In a very interesting view, Shelley Anderson drawn the landscape of this change (ANDERSON, 2020):



5. THE BCORP® STANDARD AS A GUIDELINE FRAMEWORK FOR MAXIMIZING POSITIVE IMPACT

As the classic business approach shifts from shareholders to stakeholders, companies are challenged to ensure the positive impact they have, both environmentally and socially, and this brings, in turn, a growing need for tools and structures to measure and manage this impact. In this context, certifications, such as the BCorp®, become a way of not only handling these matters, but also an important branding tool⁴⁶.

As outlined in Chapter II, to standardize the BCorp® framework and set a minimum threshold to ensure that the interested company have positive impacts, BLab® developed an assessment tool (the B Impact Assessment or simply “BIA”) that helps companies interested in obtaining BCorp® certification assess their impact on different stakeholders.

This provides an interesting opportunity to assess the extent to which the BIA can be used as the base protocol to drive interested companies towards maximization of positive externalities.

To do this, we propose a two-pronged approach: the first one relies on understanding the BIA structure and the topics it prioritizes; while the second one intends to compare BIA’s alignment against the United Nations Sustainable Development Goals (SDGs).

5.1. THE B IMPACT ASSESSMENT STRUCTURE

BIA’s first version was unveiled in 2007 in line with the launch of the B Corporation movement and was subject to changes over time until 2019, when its sixth and current version was launched.

The tool, freely available to anyone interested, is structured around five key areas (governance, environment, workers, community and customers) covering issues with variable weights (“points”) and a Disclosure Questionnaire, not scored in the B Impact Assessment in order to avoid situations where negative scores could be offset by other positive practices. The BIA allows the identification and tracking of opportunities for

⁴⁶ Gamble, E.N., Parker, S.C., & Moroz, P.W. **Measuring the integration of social and environmental missions in hybrid organizations.** *Journal of Business Ethics*, v. 167, p. 271–284, 2020. Available at <https://doi.org/10.1007/s10551-019-04146-3>. Adopting the same positioning, GEHMAN, Joel; GRIMES, Matthew. **Hidden badge of honor: How contextual distinctiveness affects category promotion among certified B corporations.** *Academy of Management Journal*, v. 60, n. 6, p. 2294–2320, 2017. Available at https://www.researchgate.net/publication/308340920_Hidden_Badge_of_Honor_How_Contextual_Distinctiveness_Affects_Category_Promotion_Among_Certified_B_Corporations.

improvement, as well as a comparison of a given company performance against similar businesses.

For each key topic, the BIA brings questions regarding the operational practices of the company as well as indicators that scrutinize the core business activities or purpose of the company, referred to as impact business models. As a result, the BIA is often promoted as an accessible way for companies⁴⁷ to get acquainted with impact measurement and reporting, also providing them with a set of KPIs that can be adopted to improve company’s practices or operational strategy.

The companies that reach a minimum of 80 points in the B Impact Score may opt for certification and will have their self-assessments reviewed by BLab®, lending credibility of their overall impact performance, as well as building trust and transparency with those interested in buying from or working with the company.

It should be noted that the BIA is designed to encompass a wide range of businesses and that its profiles may change do accommodate this fact. The major variables requested for generating an assessment were the number of employees and the business sector, naturally. To add consistency to this review, we simulated the assessment criteria for two different companies:

- (a) SmallCo, with 10-49 employees, operating on an emergent country in the retail sector;
- (b) BigCo, with 250-999 employees, operating on an emergent country in the energy sector;

While different in terms of expected sustainability risks, SmallCo assessment presented 209 (two hundred and nine) questions and BigCo had 236 (two hundred and thirty six) questions, distributed over the same 25 (twenty five) topics. The maximum scores allocated for each topic remained generally consistent, with notable differences only in relation to one topic (“Customer Stewardship”), an exception the we did not consider relevant regarding the tool scope or the indicators monitored. Each topic, as well as the respective weight allocated for the certification can be found below:

	BigCo	SmallCo
Air & Climate	13,67	13,66
Career Development	3	3
Civic Engagement & Giving	1,6	1,6

⁴⁷ According to BLab, there are approximately 80,000 assessments in their database.

Community Impact Area Introduction	0	0
Customer Stewardship	0,9	1,66
Customers Impact Area Introduction	0	0
Disclosure Industries	0	0
Disclosure Outcomes & Penalties	0	0
Disclosure Practices	0	0
Diversity, Equity, & Inclusion	5,79	5,17
Economic Impact	10,02	10,01
Engagement & Satisfaction	4	3,91
Environment Impact Area Introduction	0	0
Environmental Management	10	10,01
Ethics & Transparency	4,86	3,91
Financial Security	11,97	11,97
Governance Metrics	0	0
Health, Wellness, & Safety	9,99	10,02
Land & Life	13,04	12,97
Mission & Engagement	1,72	2
Mission Locked	10,00	10,00
Supply Chain Disclosure	0	0
Supply Chain Management	9,39	8,73
Water	7	7
Workers Impact Area Introduction	0	0
	116,95	115,62

A closer inspection of the table above shows that, from the 25 (twenty five) topics, 4 (four) are related to the Disclosure Questionnaire and 5 (five) are related to preliminary questions and metrics, without any scores associated, leaving only 16 (sixteen) topics relevant to the purposes of scoring and, to that extent, BCorp certification.

The score distribution among the 5 (five) key areas reveals that the BCorp certification favor social-related issues (Community, Customers and Workers), responsible for almost half of the maximum score.

	BigCo	SmallCo
Community	26,8	25,51
Customers	0,90	1,66
Disclosure Questionnaire	0	0

Environment	43,71	43,64
Governance	16,58	15,91
Workers	28,96	28,90
	116,95	115,62

5.2. ALIGNMENT BETWEEN THE BIA AND THE SDGS

Another interesting question to understand the potential of promoting the use of BIA as a framework for maximizing positive impact is to understand its alignment in relation to the United Nations Sustainable Development Goals (SDGs), a set of measures designed to fight humanity's seventeen most pressing problems, related to human rights, labor, environment, and anti-corruption.

It must be highlighted that even though the SDGs were initially suggested to be carried out by governments, enterprises must be recognized as key players for supporting achievement of these goals through their business activities. However, it is not expected that every interested company devote resources to achieve all the seventeen goals, with many focusing efforts in one to three SDGs, usually the ones they can impact the most.

Given the BIA approach to sustainability matters, it is important to assess the relation between BIA and SDGs. Even considering that some questions in the BIA are also present in the SDG Action Manager, a recent article⁴⁸ started review this specific point and, even though it relies on a limited sample, conclusions point to BCorps bringing relevant contributions only to select SDGs, more specifically 2, 6, 8, 9, 10, 11, 12 and 16.

6. CONCLUSIONS AND IMPACT PROPOSAL: TOWARDS A COMPELLING AND “REAL DEAL” CASE ON B CORPS

This study proposal considered the foundational elements of the benefit corporations frameworks and their objectives more broadly (including but not limited to the described BIA guidelines). In order to build the argument, some examples were assessed, studied possible impacts in different industries and established a comparison on how current B Corp metrics relate to the UN SDGs.

⁴⁸ TABARES, Sabrina. **Do hybrid organizations contribute to Sustainable Development Goals? Evidence from B Corps in Colombia.** Journal of Cleaner Production, v. 280, Part 1, 2021. Available at <https://www.sciencedirect.com/science/article/pii/S095965262034659X>.

Both small companies and large companies may have a role to play in committing not only to B Corp principles, but to the SDG agenda as a whole. As long as there is a clear analytical and internally consistent criteria in terms of materiality and a focus on the ultimate objective of a B Corp system - that is, promoting positive impact in terms of sustainability - there is a variety of B Corp approaches that can be built and modelled according to industry types and social and environmental objectives.

In that aspect, our empirical analysis was able to confirm that BIA guidelines are narrower and more limited than the SDG framework. Therefore, there are positive aspects on developing an approach that is not limited to a particular type of certification: we may cover more ground that way in terms of real objectives.

BIA should not be considered as a one-size-fits-all solution to companies looking to improve and manage their positive impact. Many other protocols are available, and the adoption of a given standard must be carefully considered by any interested companies. The fact that early research on BCorps show consistent results only for select SDGs suggests alignment with the fact that the BIA favors social-related issues.

Another critical aspect that makes us vouch for a broader approach is that the similarities between requisites the simulated SmallCo and BigCo seem to point that BCorp certification may not be practical for smaller companies as many of the topics can demand operational structures incompatible with such enterprises, limiting wide adoption of BCorps standards in full.

It is also worth mentioning that larger companies may face challenges amending their bylaws to insert clauses stating their commitment in generating benefits to the community also and not just to its shareholders.

Nonetheless, it should be noted that the tool could be especially useful for social procurement systems as a general guide for suppliers. In this case, larger companies can promote the usage of BIA scores to prioritize and economically reward the adoption of positive externalities management, raising awareness for the standards and incentivizing change along the supply chain.

In terms of implementing a B Corp system, this study considers that supply chains and the relationship established with stakeholders may be a very interesting opportunity in terms of producing meaningful impact in terms of sustainability and other topics, including, but not limited to ESG metrics.

In particular, when considering industries with a broad regional scope and complex distribution chains, the engagement with local businesses is a clear opportunity to foster a B Corp mindset and attitude. By supporting them to achieve B Corp tangible milestones (maybe inspired by, but not imposed by a specific pre-given framework or external certification) that are meaningful to the impacted community is a real deal path to achieve concrete social impact.

If this approach is articulated by means of an organized, replicable, and verifiable framework this will be undoubtedly relevant for any standard and broadly accepted evaluation such as ESG and other corporate responsibility approaches.

Considering that more traditional ESG metrics are each time now being more incorporated to the shareholder valuation and likely to be reflected in securities pricing and cost of capital, the suggested approach is looking to convince another relevant stakeholder: the customer. By focusing on local impact and tangible results there is a chance to create a real and very impactful case in a community that will affect people's jobs, wellbeing, and safety. This will be easily a more compelling case in terms of promoting customer perception and brand loyalty than merely disseminating ESG international scores or other types of certifications. Many of those analyses are sophisticated and accessible to a limited audience (institutional investors or sophisticated players, for instance). The average customer, depending on the industry (utilities, for instance) may not be impacted.

According to this study, there is a belief that by supporting local business at generating real impact it is possible to establish a storytelling that is also a compelling case towards customers and a channel to communicate the engagement with the ESG agenda to the public.

However, how to effectively communicate such deliveries to the customer and other relevant stakeholders? Authors believe that strategic messaging needs to be also part of the plan.

In a nutshell, this preliminary research suggests that companies, across industries should be inspired to foster a B Corp environment framework. One conclusion is that is doable in the context of supply chain participants, where buyers can help them to (by providing guidance, resources and incentive) to promote practices in line with the B Corporation guidelines, but not necessarily in the pursuit of any given external certification.

Above all, this study concludes that the B Corp movement is another opportunity to create a clear communication with the public, based on facts and meaningful impacts to people's lives. And, needless to say, completely in sync with the UN objectives for the globe.

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