



B CORP EXPLAINED

Commercial law firm and The Consultancy Growth Network specialist provider, [Wallace](#), explain the legal aspects of B Corp certification.

1. What is B Corp certification

Certified B Corporations, or B Corps, are companies verified by B Lab to meet high standards of social and environmental performance, transparency and accountability. Well known B Corps include the ice cream company Ben & Jerrys, the outdoor brand Patagonia, and the travel companies Exodus and Explore.

B Lab states that *B Corp Certification is unique because it measures a company's entire social and environmental performance. From supply chain and input materials to charitable giving and employee benefits, B Corp Certification verifies that a business is meeting high standards of social and environmental performance, transparency, and accountability.*

2. What companies are eligible to apply to become a B Corp

Any for profit company that has been operating for 12 months or more can apply to become a B Corp.

3. Application process

Broadly there are two elements to applying to become a B Corp:

- Completing the B Impact Assessment (**BIA**) and disclosure questionnaire.
All B Corps must score at least 80 out of 200. B Lab recommends the Company achieves a score of at least 85 before submitting the application, in case the verification process causes any of the scores to drop.
- Amending the Company's articles of association (**Articles**).
The changes to the Articles are considered further in section 4 below.

4. Amending the Articles

B Lab requires specific wording be incorporated into the Articles, without amendment, and has produced guidance explaining the impact of making these changes.

In summary, the amendments to the Articles will require the directors to take into account a wider group of interests, enhancing the consideration given of the impact on employees, society and the environment in the context of decision making, rather than just considering the shareholders. It also obliges the preparation of the annual impact report.

Whilst the directors will have to take into account a wider group of stakeholders when considering the Company's decisions, these additional stakeholders do not have rights of recourse against the directors. Only the Company itself, or in more limited circumstances the shareholders, would have recourse against the directors.

Each company will need to comply with its own corporate governance requirements to amend its Articles, but typically a Company would need to: pass a board resolution; pass a special resolution of the shareholders (75% or more of the voting shares) adopting the amended articles; and

incorporate the changes into the Articles then file the new Articles, shareholder resolution and form CC04 with Companies House.

5. Review Process

Once the BIA and disclosure questionnaire has been submitted to B Lab there is a two stage review process – evaluation then verification. The verification process usually requires the provision of various supporting documents to back up statements made in the application process. B Lab provides guidance on its website to assist with the process and makes these suggestions for the verification process:

- *Is a primary source provided (policies, supplier invoices, employee handbook)?*
- *For questions involving a calculation, is the raw data related to metrics provided?*
- *For questions about a written or formal policy, simply engaging in one of the behaviours mentioned does not count. Is the policy documented and available for employees, customers or appropriate stakeholders?*
- *For questions with external metrics (such as ethnic diversity of geographic area), is the information from a reliable and credible source?*
- *Are the document(s) provided verifying each question option selected?*

If the Company's BIA score drops to 75-80 points as part of the evaluation or verification process, an improvement timeline is typically added to allow time for improvements to be made and for the score to come back up. However, if the score drops below 75 the review is closed (but can be resubmitted following necessary improvements).

B Lab advises that the Company will be subject to background checks of public records, news sources, and search engines for company names, brands, executives/founders, and other relevant topics.

6. Following B Corp certification

The Company will be required to sign a B Corp agreement and a declaration of interdependence. Amongst other provisions, the B Corp agreement sets out the following:

- The terms under which B Lab UK will certify the Company as a B Corp.
- The circumstances under which B Lab UK will continue to certify the Company as a B Corp, which includes the amount of the annual licence fee (linked to the Company's revenue).
- Ongoing obligations in relation to impact reporting.
- Rights of the Company to use certain B Corp intellectual property.

The Company will need to publish its public profile in the B Corp directory and include a copy of the Company's BIA including the score, allowing the public to see where the Company did (and did not) score well.

B Corps need to write an annual impact assessment report each year including how the Company has sought to have a material positive impact on society and the environment.

Every 3 years B Corps need to recertify, in some cases this may require a site visit from B Lab. It is advisable for the Company to stay aware of the requirements of the B Corp assessment, implement systems to gather the necessary data promptly and on an ongoing basis and to use the B Corp impact assessment as a framework for tracking performance and continuing to amend and update their practices.

If you would like any assistance with the legal aspects of B Corp, such as amending the Articles, or with preparing an employee handbook or related policies, please contact Laura Gillard (laura.gillard@wallace.co.uk) legal director at [Wallace](#).