

## What Is a Benefit Corporation?

A benefit corporation is a for-profit entity that has voluntarily and formally committed to creating social and environmental benefit, in addition to its traditional for-profit motive. Benefit corporations have no tax exemptions, and most will have neither members nor dues. Presumably, some businesses will seek status as a benefit corporation to differentiate themselves from for-profit competitors, who are ostensibly in business strictly to maximize profits without concern for society or the environment. The state laws are built on a standard model and, aside from small regional variances, are substantially similar. Benefit corporations are subject to all legal requirements of any other for-profit enterprise, with three key differences:

- Benefit corporations create a "safe harbor" for boards of directors who take interests other than profit into account when making decisions on the corporation's behalf.
- Benefit corporations are required to declare and demonstrate their commitment to an independent, third-party standard.
- Benefit corporations can be held accountable for abandoning their commitment to their stated public-benefit purposes.

To qualify as a benefit corporation, the for-profit must include a statement in its certificate of incorporation that it was formed for the purpose of creating a "general public benefit," defined as "a material positive impact on society and the environment, taken as a whole, assessed against an independent third-party standard, from the business and operations of a benefit corporation." Existing for-profit corporations can amend their current certificates of incorporation to become a benefit corporation with a super-majority vote of their shareholders.

In addition to "general public benefit," any of the following specific public benefits may be part of a benefit corporation's stated, incorporated purposes:

- providing low-income or underserved individuals or communities with beneficial products or services
- promoting economic opportunity for individuals or communities beyond the creation of jobs in the ordinary course of business
- preserving the environment
- improving human health
- promoting the arts, sciences, or advancement of knowledge
- increasing the flow of capital to entities with a public-benefit purpose
- accomplishing any other particular benefit for society or the environment

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Additional reporting requirements are minimal. A benefit corporation must provide an annual report detailing how it met its chosen standards to both its shareholders and the secretary of state in its jurisdiction and must post the report on its website.