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## Summary sheet

# B CORP CERTIFICATION

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## Abstract

B Corp is a certification program for companies seeking to improve their social and environmental responsibility. The program is managed by B Lab, a U.S. non-profit organization. To be certified, companies must complete a questionnaire, score a minimum of 80 out of 200 points and commit to certain principles.

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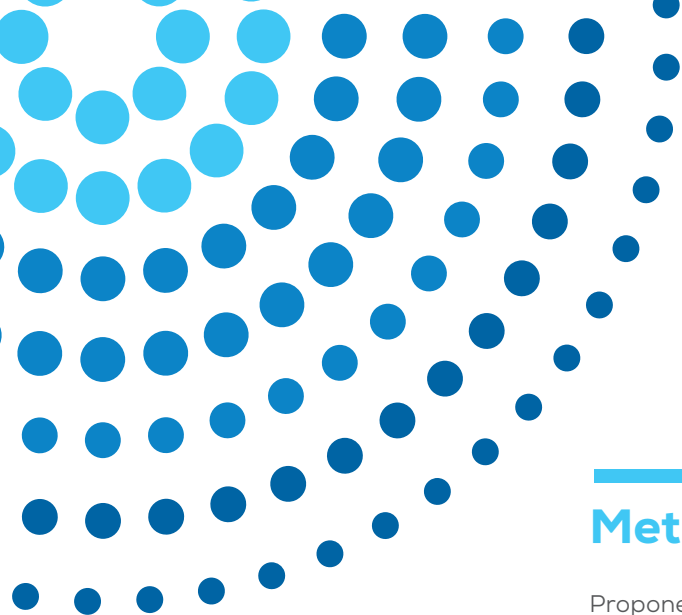
## History

B Lab was founded in 2006 by three entrepreneurs/investors and Stanford graduates who had three goals:

1. To create a community of B Corp-certified companies that meet rigorous and standardized criteria of social and environmental responsibility and that commit themselves, legally, to considering stakeholders other than their shareholders;
2. Promote the creation of the legal status of benefit corporations whose principles are inspired by the B Corp certification; and support tax policies in favour of companies that obtain this status;
3. Develop the Global Impact Investing Rating System (GIIRS).

Ten years later, these objectives have largely been achieved. By 2017, there were more than 2,400 B Corp companies worldwide (B Lab, 2017b), 33 U.S. states had passed legislation allowing the incorporation of benefit corporations (New York University, 2014), and comprehensive impact analysis services for impact investors were available (B Lab, 2017c).





## Method

Proponents of the B Corp certification emphasize the ease of use of the three-step process leading to the certification (B Lab, 2017d):

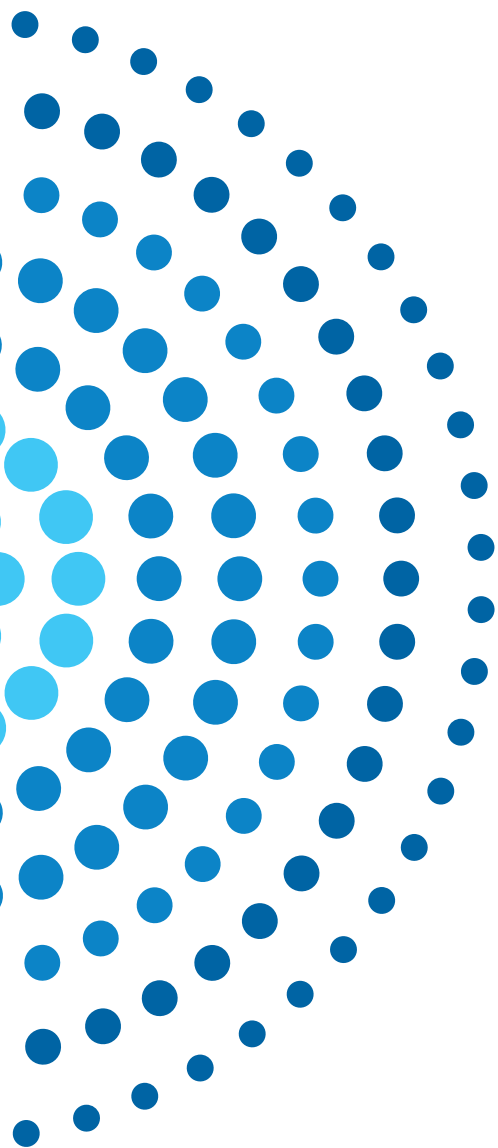
1. Fill out an online evaluation questionnaire free of charge (a simplified version can be completed in a few hours; the full version is longer). Companies that score at least 80 out of 200 points can proceed to the next step;
2. Meet legal requirements, that is, commit to consider the interests of all stakeholders rather than only shareholders, and make the relevant amendments in the company's letters patent to ensure that the mission continues over time;
3. Sign the declaration of interdependence and an agreement with B Lab, which covers the use of the B Corp trademark in communications and complete the process by paying the corresponding fee.

The rating system used by B Corp certification is called B Impact Assessment (BIA) and determines all B Lab activities. For example, it is the basis of the B Corp certification questionnaire and it is also used to evaluate companies in an impact investment context, in which case it is called the Global Impact Investing Reporting Standards (GIIRS). The BIA has undergone numerous versions in recent years. The current version, V6, was released in January 2019. The development of the BIA standards depends on a relatively complex governance structure. An Advisory Council, composed mainly of stakeholders from the financial world, makes the final decisions (B Lab, 2017g).

The questionnaire to be filled out is adapted to the size of the company, its industry and the market in which it operates. This means, accounting for all possible combinations, that there are theoretically 72 different versions (Dorff, 2016, p. 9). While the exact content of this questionnaire is confidential, companies going through the process know exactly what score has been assigned to each of their responses. The public can visit the B Corp website and find out the score associated with each of the dimensions and sub-dimensions of the certified company of interest, as illustrated in the table below.

2011 Patagonia, Inc. B Impact Report			B IMPACT SCORE
Impact Area	Average score of other businesses	Company score	
 <b>Governance</b>	<b>20</b>	<b>32</b>	
Accountability	12	6	
Transparency	3	3	
 <b>Workers</b>	<b>25</b>	<b>22</b>	
Compensation, Benefits & Training	17	15	
Worker Ownership	2	2	
Work Environment	6	4	
 <b>Community</b>	<b>20</b>	<b>32</b>	
Community Products & Services	0	15	
Community Practices	20	15	
Suppliers & Distributors	9	4	
Local	1	5	
Diversity	N/A	2	
Job Creation	1	2	
Civic Engagement & Giving	N/A	4	
 <b>Environment</b>	<b>9</b>	<b>47</b>	
Environmental Products & Services	4	4	
Environmental Practices	6	43	
Land, Office, Plant	4	6	
Energy, Water, Materials	2	11	
Emissions, Water, Waste	1	2	
Suppliers & Transportation	N/A	7	
<b>Overall B Impact Score</b>	<b>80</b>	<b>107</b>	

Source: B Lab, 2017

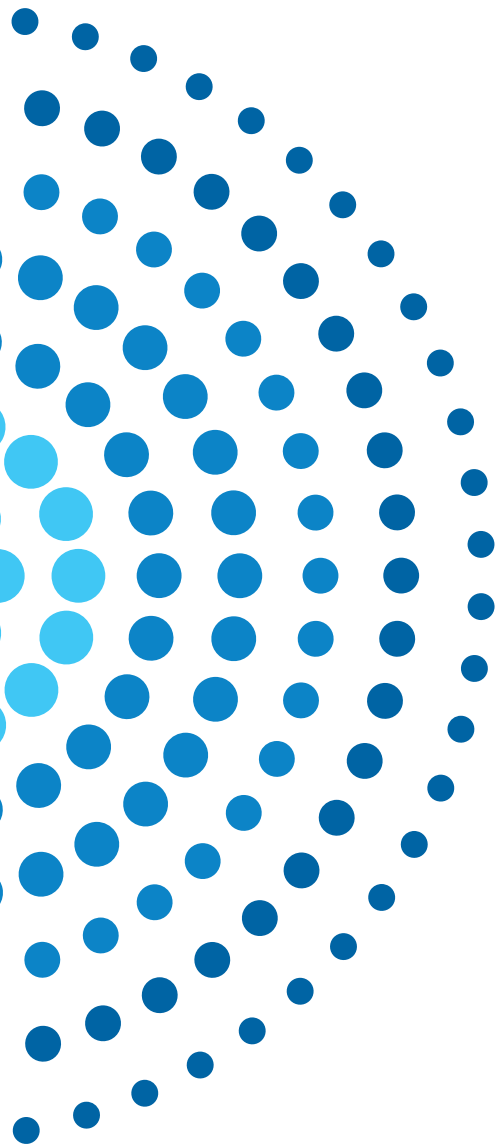


Here are some examples of questions that can be asked (B Lab, 2017f):

- Does your company have a formal process for sharing financial information with its employees?
- How many days off do your company's employees have?
- What percentage of your leadership positions are held by under-represented populations (women, minorities, people with disabilities, individuals from low-income communities)?
- How much has your carbon footprint been reduced over the past year?

Most of the points awarded by the B Corp certification are based on answers that are provided by companies (on a self-declaration basis). Each year, a sample (10%) of B Corp companies is audited to make sure these responses are accurate. These companies are then required to submit supporting documentation and to contact the B Lab to prove that their answers are correct (Dorff, 2016, p. 15).

Finally, it should be noted that the B Corp certification is intended for companies with an incorporated legal status (B Lab, 2017b). In other words, a social economy organization, whether it is a non-profit organization, a cooperative or a mutual society, does not need this certification, given that their articles of incorporation already oblige them to pursue a social mission and to consider the needs of stakeholders rather than shareholders.




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## Scope and limitations

For the company, certification serves first and foremost to signal to other actors (stakeholders) that it is behaving in a way that is responsible and good for society and the environment. This message, through communication and marketing operations, can be signaled by the company to, among others:

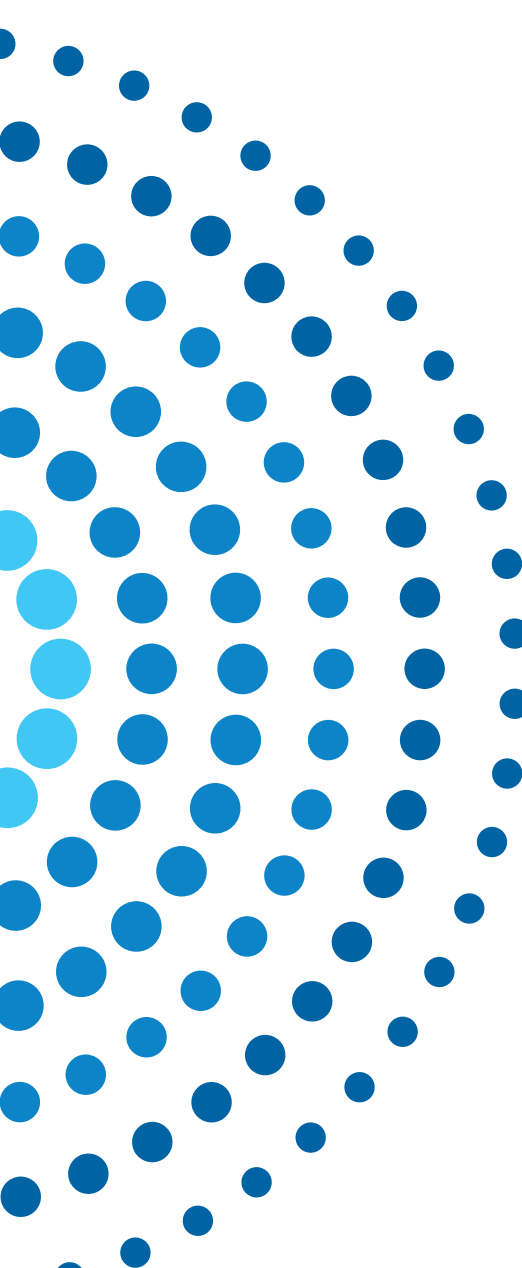
- potential customers, thus giving useful information to consumers who are sensitive to these issues, hoping ultimately to convince them to buy their products or services;
- potential employees, in the hope of attracting motivated and talented people;
- impact investors, in order to gain access to new financing opportunities;
- governments, in the hope of obtaining favourable tax or regulatory treatments.

B Corp's official guide also discusses other potential benefits of certification, such as being part of a community of leaders with shared values, improving performance through benchmarking, sustaining its mission, saving costs and being at the forefront of the field. In Quebec, B Corp companies meet regularly. These meetings allow them to exchange practices and develop new business opportunities while having time to reflect on their social and environmental impact, a practice which can ultimately, through emulation, encourage them to continually improve their impact.



However, B Corp certification has certain limitations due to tensions inherent to any evaluation system that proposes to classify and rate activities of very different natures in a standardized manner. Indeed, the certification process is relatively simple and inclusive, being relatively easy to understand, and is used by many companies. However, this simplicity sometimes comes at the expense of validity, that is, the ability to effectively measure the phenomenon of interest (a company's responsibility and impact) (Dorff, 2016, pp. 13, 17–19). Moreover, not only must we assume that the behaviours rewarded by the BIA are truly responsible (validity of the criterion), but we must also accept that some behaviours are worth more, less or as much as others (weight of the criterion) and that they are comparable regardless of their nature (interchangeability hypothesis) (Dorff, 2016, pp. 23–25). In sum, for the sake of simplicity, great confidence must be placed in B Lab's capacity to decide what it means to be part of a "movement of people using business as a force for good" (B Lab, 2017h).

For instance, it is difficult to compare two B Corp companies each of which have a score of 100 points. One of them could operate locally and have a limited impact on its community, while the other could have a much greater impact because it employs thousands of people around the world. However, these jobs could be in developing countries with wages that are quite low by Western standards. Is this a good thing or not? One company could be very strong in terms of its governance and the treatment of its employees, but have a deplorable environmental record, while the other would have the opposite. In order to make a judgment on these issues, the public must therefore push the analysis further by considering the results obtained in each of the sub-dimensions.



Finally, the B Corp certification is essentially used to evaluate and communicate about a company's behaviour in a logic of corporate social responsibility. Like the Global Reporting Initiative (GRI) or the IRIS indicators, this certification focuses more on the company's activities, which are easier to document, than on the outcomes or impact it produces, which are much more difficult to attribute.

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## Uses

There are over 2000 B Corp-certified companies worldwide (mostly in the United States), 200 in Canada and 19 in Quebec (B Lab, 2017b). Examples of B Corp in Quebec include E-180, Baleco, Quo Vadis, Atelier 10 and Ellio, among others.

Since July 2015, B Lab Canada has been responsible for promoting and certifying B Corp companies in Canada. However, the B Corp business community is called upon to organize itself and does so primarily on a provincial basis (with active communities in Ontario, British Columbia and, more recently, Quebec).

The Business Development Bank of Canada (BDC), which provides financing and advisory services to SMEs in Canada, enthusiastically supported B Corp certification at a major event that brought together the global B Corp community in Toronto from October 3 to 5, 2017 (B Lab, 2017a).

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This series of summary sheets is produced by Territoires innovants en économie sociale et solidaire (TIESS) as part of a project on evaluation and impact measurement for social economy organizations. Each summary sheet presents a brief description of a tool or method in circulation in the field of social impact measurement in Quebec and elsewhere in the world.

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## Contributions

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Find the original version at: <https://tiess.ca/methodes/>

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