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B Corps: bringing sustainable business ethics into governance

Maddyness is collaborating with environmental publication Ours to Save to bring readers fresh perspectives on sustainability. Today - in line with BrewDog's announcing its B Corp status – we look into whether the B Corp certification sets a good standard for green business or merely facilitates greenwashing.

In recent years, readers may have noticed an increasing number of B Corporations cropping up on their radar. Whether it's more established businesses adopting the certification, or newcomers entering a particular field proudly advertising their status as a B Corp, this logo seems to be gaining traction as 'the' green label for businesses to adopt. Brands already recognised for their environmentally minded work (Patagonia, Dr Bronner's Soap and Triodos Bank, for example) sit alongside large-scale multi-nationals (parts of Unilever, Coca-Cola and Nestle, to name a few) in their commitment to the B Corp's environmental and social standards.

As more consumers seek to support businesses that are working towards higher ethical values, certifications and labels promoting companies as 'green' abound. It is empowering to watch as customer demand for more sustainable enterprises leads to industry change, but it is also the case that a green label does not necessarily equate to a green company.

> *Greenwashing – disinformation disseminated by an organisation so as to present an environmentally responsible public image – has proliferated alongside the rise of truly green businesses.*

With this in mind, it is important to unpack the process of becoming a B Corp. Is the certification a trustworthy way for consumers to make more ethical decisions about how – and where – they spend their money, or are B Corps yet another iteration of greenwashing?

In order to become a B Corp, a company must begin by answering the BIA (Benefit Impact Assessment): a list of approximately 200 questions about how they operate, with questions being tailored for different fields of business and scales of operation. These questions interrogate the impact a company has on its workers, the wider community within which it operates, its customers and the environment. Out of a potential 200 points available, a company must achieve at least 80 points to become a B Corp. A successful company's score is then made available to the public on the B Corp website, and every B Corp is reassessed every three years. A B Corp is expected to improve on its score at each new assessment.

In a recent interview, Paul Lindley, Founder of UK B Corp Ella's Kitchen, estimated that completing the BIA would likely take a company 12-18 months. Time, attention, and resources are required to meet the certification's standards – and should those standards slip, the recurring assessment catches companies who are no longer behaving as ethically as they claim to be.

Most companies that apply to become a B Corp fail. The average score of a company taking the BIA is around 51 points, and out of the 100,000 companies who have applied to become a B Corp since the certification's launch in 2006, only 3,500 have been successful. That's a 3.5 % success rate. Each new iteration of B Corp's BIA gets more rigorous.

It would seem, then, that the B Corp status is a meaningful indicator of an ethical (or at least, more ethical) company. In an interview in 2017, Andy Fyfe, who works for B Corp in Community Development, explained that the certification was in fact created out of the lack of clarity available to consumers who wished to differentiate between a "good company" and "good marketing".

The ability to use canny marketing to forgo the need for meaningful change in businesses' ethical practices continues because such practices, in general, are not transparent. In the UK, you can log onto the Companies House website and look up any limited company that operates under the UK Government's jurisdiction, and find out almost instantly what their annual turnover is, who the directors are, and who the company's shareholders are.

There is no such universal index for environmental or social impact. The decision to be transparent about how a business' operations impact the environment and the society within which it operates, or to make those impacts comprehensible to the consumer, remains the decision of the company.

Transparency in these areas is key to holding businesses to account. Without it, unless a company is independently green-minded, there is little incentive for them to change their business practices. Having a universal and legislated standard to which companies must measure themselves up against would not only force reluctant companies to come clean about their environmental and social impact, but it would also help companies that wish to change their business practices work out how to do better.

This is, essentially, what the B Corp certification is working to do: build a universal framework through which to understand how a company's actions impact our social and environmental networks. Of course, at the moment, these standards are only enforceable if a company chooses to enforce them.

There is no legal accountability for a company who fails to meet B Corp's standards. Unless regulations such as those within the structure of a B Corp become mandatory, companies being responsible to the society within which they function, and the environment from which they take their resources, remains optional.

The B Corp certification does not only rely on their assessment program to keep companies held to account. If a company is successful in passing the 80-point threshold needed to become a B Corp, that company is required to sign the certification's 'Declaration of Interdependence'. This declaration shifts a company's responsibility to a triple bottom line: society, the environment, and its shareholders, collectively known as a company's 'stakeholders'.

This works against a phenomenon known as 'shareholder primacy': the premise that a company's main objective is to create profits for its shareholders. To function in this way, B Corp argues, is to deny the fundamental interdependence of things.

A company cannot exist without the social structures that allow, for example, its employees to be educated, for infrastructure to be created, or for its right to exist to be legislated for. Nor can it exist without the ecosystem that provides the resources it uses, and the climate it operates within. By this logic, it might seem not only ethically fair, but also strategically prudent, for a company to work to benefit more than just its shareholders.

The B Corp certification aims to work within, rather than against, pre-existing economic systems. Kris Lin-Bronner, Strategic Adviser at B Corp Dr Bronner's, acknowledged in an interview: "there's a lot of negative feelings about capitalism right now…the question is: how do we protect ourselves from capitalism while deriving the benefits of it?"

It is worth reiterating that while B Corps insist that companies shift their focus from purely benefiting shareholders to benefitting society and the environment as well, producing profits still remains an integral aspect of a B Corp business. Between 2017-2018, B Corps in the UK grew 28 times faster than the British economy.

Being a B Corp, then, is good for business. It seems counter-intuitive to celebrate the growth of businesses (even 'green' businesses), when we are so often told that it is growth and excessive consumption that is leading to the degradation of the planet. Yet the growth of B Corps, both in number and in profits, shows that companies can flourish by moving away from shareholder primacy, and serving the environment and the social framework within which they operate. It shows that a more ethical structure of business, within the economic frameworks that already exist, is not only possible, but also profitable.

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