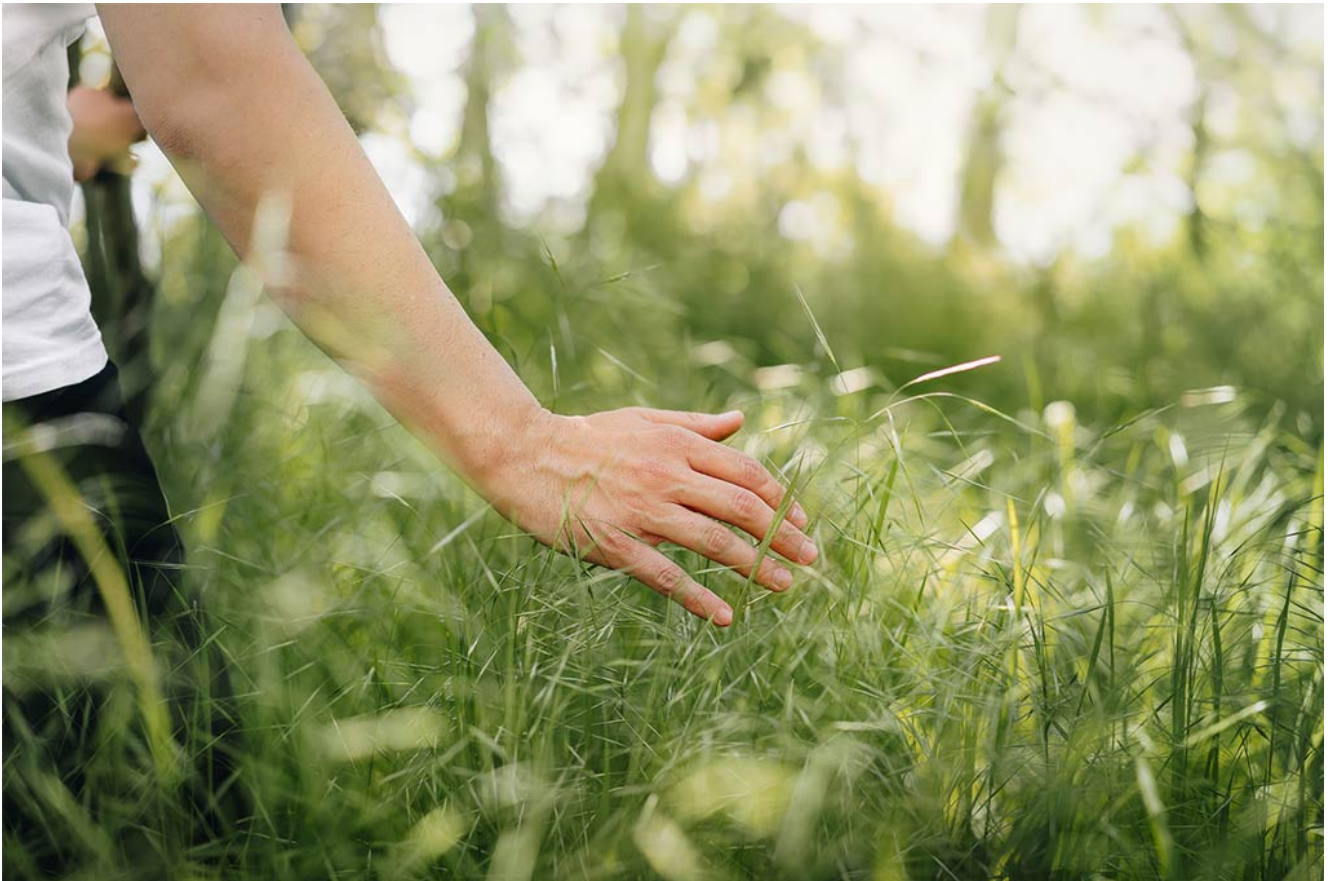


Benefit corporations are growing in popularity. Here are 4 advantages they can bring to your organization

Prioritizing social and environmental sustainability can generate trust without sacrificing the bottom line.



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The clothing brand [Patagonia donates 1% of its annual sales](#) to charitable causes. Its purpose — saving the planet — makes it a benefit corporation, or public benefit corporation (PBC), a

type of corporate entity that combines social and environmental responsibility with profitability.

Another benefit corporation, the California-based company Toms, [operates under a one-for-one model](#): for every pair of shoes it sells, it donates a pair to a child in need within its network of charitable organizations.

Both companies prioritize social and environmental goals and consider their impact on all stakeholders in their decision-making without compromising profit.

The rise of benefit corporations

The benefit corporation has grown significantly in recent years due to its legal recognition in an increasing number of countries. In a [new report](#) on the growing movement, Bruno Martinez and IESE professor [Joan Fontrodona](#), holder of the [CaixaBank Chair of Sustainability and Social Impact](#), analyze the evolution, characteristics and advantages of benefit corporations.

Although the concept originated in the United States and has been recognized in several states, Italy was the first country in the world to offer a legal status to this entity nationwide in 2016. The creation of *società benefit* resulted in exponential growth, reaching 2,626 registered entities in 2022, an increase of 839% on 2018. In France, it has been possible to register as an *entreprise à mission* since 2019, and registrations increased from 17 entities and 18,000 employees in the first year to more than 1,000 companies and 660,000 employees by 2022.

Benefit corporations have been recognized in Spain since 2022. In Latin America, Colombia, Ecuador, Peru and Uruguay have some organizations registered. In Africa, so far only Rwanda has a regulatory framework.

Characteristics of benefit corporations

While each country that has passed regulations for these entities has done so in a unique way, often with different terminology from the U.S., they share a set of common features:

- **Going beyond shareholder interests.** The purpose is to generate a positive impact on society and/or the environment, helping both current and future generations. There are many ways to achieve this: providing goods to low-income

communities; promoting social and economic opportunities; preserving the natural ecosystem; improving human health; fostering arts and sciences; and/or increasing the flow of capital to public-purpose entities.

- **Considering all stakeholders.** Laws and statutes regulate that all stakeholders have equal weight unless the company decides to prioritize one over the other to fulfill a general or specific public purpose.
- **Providing detailed reports on performance relative to purpose.** These reports must adhere to a standard that addresses social and environmental issues. Each company is free to choose the evaluation it deems most appropriate, provided it meets criteria of integrity, credibility, independence and transparency.

Common standards include the Global Reporting Initiative (GRI), ISO 26000 and B Corp certification. The latter is awarded by B Lab, a leading organization in promoting legislative frameworks and regulations for recognizing benefit corporations. While a benefit corporation does not need to be certified as a B Corp, companies seeking this certification must adopt the characteristics of a B Corp in the jurisdiction where the structure is legally recognized.

Interestingly, Australia and Canada account for nearly 20% of the world's B Corps but lack a specific regulatory framework for benefit corporations, similar to Portugal and Switzerland, whose business environments are committed to sustainable transformation.

Reasons to become a benefit corporation

Registering as a benefit corporation can bring several positive aspects to a business in the long term:

1. **Recognition and commitment.** Including social and environmental purposes in the statutes of a benefit corporation demonstrates its high level of commitment and responsibility in the eyes of impact investors.
2. **Differentiation.** In a context where companies are increasingly expected to pursue greater social responsibility, recognition as a benefit corporation clearly identifies them to clients and consumers, helping them stand out in the market. This status is also attractive to younger generations, who place high value on the social and environmental impact of the companies they work for and buy from.
3. **Transparency and trust.** The commitment to transparency makes benefit corporations more trustworthy to stakeholders. Legal accountability and verified standards ensure the reliability of shared information, a key aspect for demanding

customers and investors.

4. **Economic benefits.** Rather than compromising the economic performance of the company, being a benefit corporation can actually be an advantage. And with the ever-increasing demands of consumers and investors for sustainability, the advantages of being recognized as a benefit corporation continue to grow.

The benefit corporation could provide a model to ease the transition to a more sustainable world, providing a path and practical tools for companies to become agents of change.

READ ALSO: [IESE Business School Insight magazine #155](#) on [Corporate Governance](#) for further information on the rise of benefit corporations in the U.S. since their legal recognition in 2010, along with other changing governance paradigms that prioritize purpose beyond profit. If anything, the trends described in this magazine report have only intensified since the 2020 pandemic.

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