

AB 361 – Benefit Corporations

Assemblymember Jared Huffman

IN BRIEF

Assembly Bill 361 allows for the creation of a new and voluntary corporate entity in California that will combine the ideals of social responsibility and environmental awareness into the very fabric of the company. Called “Benefit Corporations,” this new class of corporation will be required to create and report on its material positive impacts on society and the environment, and more importantly, meet higher standards of accountability and transparency.

BACKGROUND

Current law requires that California companies exist exclusively to conduct business in a manner that maximizes shareholder value. Under this model, any notion of broad corporate social responsibility is subordinated, and legally trumped, by the fiduciary duty to maximize profits. Contrast this to 32 other states that have the legal authority to consider constituencies in addition to shareholders, specifically society and the environment.

Due to the current lack of flexibility in our state’s corporations’ paradigm, there is tremendous demand from California businesses to allow the creation of benefit corporations. This new corporate form would provide legal protection for companies wishing to do good *and* do well. Visionary entrepreneurs who want to run their business with an eye toward the triple bottom line of people, planet and profit would be able to. And established businesses seeking to expand with outside capital could protect the mission of their company. This all would be done while providing shareholders the greatest protection of any corporate form.

AB 361 is modeled after successful legislation in Hawaii, Maryland, New Jersey, New York, Vermont and Virginia. Similar legislation has been introduced in Colorado, Michigan, North Carolina, and Pennsylvania. These models were vetted through business associations, legal scholars, the legislative process and various agencies to craft a bill that serves California.

Our state is on the cusp of emerging corporate change. By embracing this change, we will retain our place as the national leader in the growing green economy; we will be well-positioned for the continued growth of, and increased investment in, companies in the sustainable business economy.

THE SOLUTION

The enactment of AB 361 will create this new, voluntary corporate form: the benefit corporation. Benefit corporations create a material positive impact on society and the environment by doing the following three things:

- Expanding corporate purpose, specific to benefit corporations, to consider society and the environment in addition to profits;
- Expanding accountability of the directors to include consideration of society and the environment; and
- Expanding transparency through the publication of an annual benefit report on the corporation’s overall social and environmental performance assessed against an independent third party standard.

There can be significant advantages for those who choose to incorporate as benefit corporations, including:

- Greater access to social impact investing due to increased accountability and the recognizable corporate branding as a socially-oriented entity;
- Legal protection for directors and officers in their more broadly defined fiduciary roles of maximizing profits as well as ensuring social and environmental considerations; and
- Marketing opportunities that will allow consumers to distinguish, in a very real and ascertainable fashion, between a business that *claims* to be responsible, and one that *is responsible*.

SUPPORT (partial list)

American Sustainable Business Council
Bay Area Council
Build It Green
California Association of Micro Enterprise Opportunity
Green America
Green Chamber of Commerce
New Voice of Business
Silicon Valley Leadership Group
Social Venture Network
Small Business California
US Green Building Council – CA Advocacy Committee

CONTACTS

Andi Liebenbaum, Office of Assemblymember Huffman
Andi.Liebenbaum@asm.ca.gov (916) 319-2006

Erik Trojian, Director of Policy, B Lab
erik@bcorporation.net (212) 608-4150

AB 361 - SUPPORT

Abacus Wealth Partners
Academies for Social Entrepreneurship
Accountable Develop
Aquamantra
AGSJ
Alan Briskin Management Consultants
Alter Eco Fair Trade
American Lung Association in California
AnewAmerica Community Corporation
Bay Point Benefits
Beacon Management Consulting
Beam Inc.
Beck with Associates
Bike station/Mobis Transportation Alternatives
Birkenstock
Blitz Bazaar
Blueprint Research & Design
BP Stewart & Co., Contracting
Bridge the Gap Consulting Inc.
Brion & Associates
CAMEO
Canal Alliance
Cannourish
CAP Global
Caratnet
Care2
Catalyst Coaching & Training
Center for Dynamic Governance
Chapman University
Chosen Futures
Clean Fund LLC
CleanFish
Common Sense Counseling
Communications Inc.
CORE Foods
Creative Management
Dana Smirin
Detour Agency
Dharma Merchant Services
Direct Dental
DNAGlobalNetwork.com
Dragonfly Designs
Dzambuling Imports
Elemental Herbs
Ellen Weinreb Sustainability Recruiting
Emerge
Enlightened Brand Incorporated
Environmental & Public Health Consulting
Equinox Landscape
Eurous Global Executive Leadership
Evergreen Lodge
Everson Financial
Exygy Web & Mobile
Fox Acupuncture
Give Something Back
Global Alliance for Incinerator Alternatives (GAIA)
GoodGuide, Inc.
Great Place to Work Institute
Green Age 360
Green Design Systems
Green Retirement Plans, Inc.
GREENLAB CREATIVE
Guayakí Sustainable Rainforest Products
Hanson Bridgett LLP
Harrington Investments Inc.
Heller Consulting
Herriford Consulting
IdeaEncore Network
Image Integration
Imprint Capital
Indigenous Designs Corporation
Inquiring Systems, Inc.
Inspiring Results
Institute for Social Entrepreneurship
Integral Partnerships LLC
Integrative Psychophysical Therapy
Johnson & Associates
Jungwirth, Blackburn and Associates
KC Building
KINeSYS Inc.
Lake Royal Apartments
Latham Film LLC
Leadership & Strategy for Sustainable Systems
Living City Partners
LO*OP Center, Inc.
Longsplice Investments
Mal Warwick Associates| Donordigital
Mark Leibowitz Photography, Inc.
Marti Spiegelman MFA
Mendocino Wine Group, LLC (dba Parducci Wine Cellar,
Paul Dolan Vineyards, etc.)
Meridian University
Merlone Geier Partners
Method Home Products Inc.
Mindful Investors
Minerva Consulting
MJ Everson Financial
Nancy Southern & Associates
Natural Logic, Inc.
Nest Collective
New Avenue
New Foundry Ventures
New Harvest Capital
New Leaf Paper
New Paradigm Digest
New Resource Bank
NZ Consulting, Conscious Business
Opticos Design, Inc.
Oxford Leadership Academy USA
Partnership Capital Growth Advisors
Planet Cents
Planning for Sustainable Communities
Presidio Graduate School
Progressive Wealth Management
Project: Liftoff
Public Works, LLC
Quantum Intech, Inc.
Raphael Medicine & Therapies
Raymond H Katz, DMD
ReliaTech
Renesch Advisory Services
REthink Development

AB 361 - SUPPORT (continued)

Revolution Foods
Rimon Law Group
RippleQ
RSF Social Alliance
SABEResPODER
Salesforce.com Foundation
Sara Ellis Conant Coaching & Consulting
Sergio Lub Handcrafted Jewelry, Inc.
ShareExchange
Silicon Valley Innovation Associates
Solar Works
Sparked
Spirit Rising Productions
Sun Light & Power
Sustainable Enterprise Conference
Sustainable World Coalition
SVT Group
Swanton Berry Farm
TGNA
The Ballroom
The Clarity Project
The Green Riders
The Redwood Grove Group
The Rosebud Agency
The Sanders Partnership
The Terry Mandel Collaborative
The Vianova Group
TomZanders.com LLC
Tracking the Wisdom
Traditional Medicinals
Transportation Power, Inc.
Transpower
Turner Real Estate
VeeV Spirits
Veritable Vegetable
Wendel Rosen
Wespay
West Company
WildEarth Guardians
Wise Solutions, Inc.
WorkLore
World Centric

AB 361 - OPPOSE

California Association of Nonprofits
Corporations and Government subcommittees of the Business
 Law Section of the State Bar of California
California Society of Association Executives
One individual