

# OUR TOP TIPS TO BUYING OR INVESTING IN A B CORP

If you're considering buying or investing in a B Corporation certified company, then this guide is for you! Here we set up the key things you should consider before starting the process.

# #1

## Confirm Legal Status

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It is important to conduct some basic due diligence to ensure that the company is properly registered as a B Corporation. You'll need to ensure that it has properly maintained that registration according to certain criteria and analyse whether there is any risk of losing that B Corporation status. Our team of lawyers are on hand to walk you through what these criteria are and what to look out for.

## #2

### **Be prepared to emphasise your commitment to the Triple Bottom Line**

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For the directors of B Corps, the scope and nature of their duties are different from the duties owed by directors of ordinary commercial companies. Directors of B Corps are obliged to advance a ‘triple bottom line’ purpose. This means that you may wish to emphasise how you propose to advance the triple bottom line purpose of the B Corp post-acquisition, make clear that you wish to take forward the company’s B Corp status and demonstrate that you are committed to the wider values and ethos of the business.




# #3

## Understand the board's mandate

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You should be aware that, as a B Corp, the company's directors have a reasonable degree of discretion when determining how in good faith to advance the triple bottom line purpose and in the process weigh up and reconcile any competing stakeholder considerations. This means that, post-acquisition, the directors would not be obliged to prioritise your financial interests as a shareholder in the same way or to the same degree as in an ordinary commercial company.





## #4

### **Know what the company and directors' duties are**

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You need to make sure you know exactly what the duties of the company and the directors of B Corps are. The directors of B Corps are subject to company law in the same manner as any other company, other than the fact that the directors' duties are focused upon the amended purposes set out in the standard UK Legal Test wording for the Articles of Association. An important consideration for these purposes is that B Corps are required to seek to have a 'material positive impact' on society and the environment as a whole. This means the positive impact of the company should be meaningful and implemented through its core business and operations, not just through ancillary activities such as a limited CSR programme.

## #5

### Understand liability to third parties

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You should keep in mind that directors owe a duty to the company itself, and only the company is able to enforce these duties. As such, the company's directors will not owe any duties or have any liability to its employees, suppliers, neighbours, competitors, shareholders or other stakeholders as a result of certifying as a B Corporation. One relevant consequence of this for you is that should you be unhappy about the decisions being taken by the directors of the company, because they have concluded that the other stakeholder interests in the UK Legal Test carry more weight in a particular situation than, for example, short term profit, there is less scope for you to challenge those decisions.

## #6

### Be aware of ongoing administration

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There will be some limited additional administrative work for the directors. They will need to maintain the B Corp's certification. This requires, for example, the preparation of an impact report each year and periodic recertification. High impact scoring and awards won often suggest that B Corp status is of great significance to the company, its staff and certain other stakeholders than is ordinarily the case, so it is important to maintain that.

As the first UK law firm to certify as a B Corp, we are ideally placed to help guide you through this process. We can use our first-hand experience to help you find the best way for your new business to continue to express its identity and purpose and ease seamlessly into new ownership.

**Get in touch today for further advice on how to buy or invest in a B Corp.**



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Bates Wells believes in making a positive impact, whether that's achieving legislative and regulatory change around sustainability, or working on a landmark case with wide-ranging implications. We're not afraid to challenge the status quo.

Our clients are diverse – from global household names, to public bodies, to start-ups. We're also the firm of choice for thousands of charities and social enterprises.

As a values-driven firm we show commitment to our clients, our people, the environment and society. We're the first UK law firm to achieve B Corp certification.

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