



Benefit Corporation 101

The Basics

A benefit corporation is a traditional corporation with modified obligations committing it to higher standards of purpose, accountability and transparency:

Purpose: Benefit corporations commit to creating public benefit and sustainable value in addition to generating profit. This sustainability is an integral part of their value proposition.

Accountability: Benefit corporations are committed to considering the company's impact on society and the environment in order to create long-term sustainable value for all stakeholders.

Transparency: Benefit corporations are required to regularly report to shareholders on how the company is balancing these interests.

The Benefit Difference

Traditional corporations are expected to use profit maximization as the primary lens in decision making. Many now see this as a hurdle in creating long-term value for all stakeholders, including the shareholders themselves.

Benefit corporations reject this myopic model. They are required to consider all stakeholders in their decisions. This gives them the flexibility to create long term value for all stakeholders over the long term, and even through exit transactions such as IPOs and acquisitions.

Uptake

Benefit corporation legislation has been passed in 31 US jurisdictions including Delaware. Italy has also adopted benefit corporation provisions.

There are already close to 5,000 registered benefit companies, including nearly 700 in Delaware and 200 in California. Leaders in the group include: Patagonia, Method Home Products (a subsidiary of Ecover), Plum Organics (a subsidiary of Campbell Soup Company), Cotopaxi, Data.world, Lung Biotechnologies (a subsidiary of United Therapeutics), Kickstarter, Ello, Altschool, Farmigo, and Alliant University. Laureate Education Inc., a \$4B revenue for profit education company backed by KKR, recently raised \$490 million in an IPO. Laureate was the first benefit corporation to go public as well as the largest benefit corporation in the world.

Benefit corporations have already attracted investment capital from major venture capital firms, including: Andreessen Horowitz, Founders Fund, First Round Capital, Forerunner Ventures, Formation|8, Foundry Group, Baseline Ventures, Benchmark, New Enterprise Associates, Brand Foundry, Chicago Ventures, Collaborative Fund, Emerson Collective, Floodgate Ventures, LiveOak Venture Partners, Rothenberg Ventures, Freshtracks Capital, Generation Equity Investors, Greycroft Partners, Harrison Metal, New School Ventures, Omidyar Network, Peterson Ventures, Shasta Ventures, and The Westly Group.

"We seek out exceptional, mission-driven companies creating long-term value, both financially and for humanity. AltSchool is a perfect example of a company that's building a strong business while driving positive change. Their benefit corporation legal status allows the team to think beyond short-term profits and focus on fundamentally improving the education system for many decades to come."

-Brian Singerman, Founders Fund

"There are those who say that Benefit Corporations and venture capital are not compatible. We don't agree and we think companies that align their values with their customers and communities will benefit over the long term, not suffer. And that alignment can produce value for shareholders sustainably and profitably."

- Fred Wilson, Union Square Ventures