

# B CORP: CAN BUSINESSES REALLY BE A FORCE FOR GOOD?



A few players in the B Corp movement were in Kuala Lumpur recently. (From left) Cheah-Foong, Marquis, Tan, Ng and Fong.

BY TAN ZHAI YUN

After 15 years of working for tech multinational corporations, Thomas Ng decided to take a break. As he had to go on garden leave prior to his exit — a requirement by his former employer — he was stuck in Manila for a year.

Since he had the time, Ng accepted an invitation to join the board of trustees at a computer school for the blind. This was a turning point for Ng, who was 47 at the time, in 2006. One of the blind students gave an impressive presentation, and Ng could not believe it. He challenged the student to do an internet search with him and see who would be quicker.

“He found it faster than I did. I then told myself I would make it my job on the board to find employment for them, because they trained 500 blind people in five years but only one person was working, and it was a tokenism thing. I said I would bring these graduates to the notice of all my friends who are CEOs of companies around town,” says Ng.

Unfortunately, he struggled to find a breakthrough. After two years, Ng decided to start his own company, called Genashtim Pte Ltd, and hire persons with disabilities (PWDs) to do remote work on the internet, which was not the norm in 2008.

“We did web development, programming and e-learning. We were way too early, though. We struggled for 10 years, and broke even for the last two years. Then came Covid-19 and everything just took off,” says Ng.

In 2013, he was approached by an organisation called B Corp to get certified, thanks to his company’s focus on disability inclusion. The B Corp certification is a designation for companies (B Corps) that demonstrate high social and environmental performance after going through an assessment. It was founded in 2006 by three individuals in the US who wanted to “make business a force for good”, which is the organisation’s tagline.

The assessment scores must be published online, and companies must make a legal commitment to change their corporate governance structure to be accountable to all stakeholders, not just shareholders. Famous certified B Corps around the world include Patagonia; Unilever ANZ and at least eight brands under it, such as Ben & Jerry’s and Seventh Generation; Danone; Aesop; and The Body Shop.

At first, Ng brushed off the request but, in 2015, he finally sat down and completed the B Impact Assessment (BIA), a free digital tool with a series of questions about a company’s practices across the five categories of governance, workers, community, environment and customers.

He ended up with 136 out of 200 points, which surpassed the minimum requirement of 80 points. Then, he sat through a one-hour interview with a representative from B Lab Global (B Lab), which oversees the certification, paid the required fees and, in December 2015, Genashtim became a certified B Corp.

That was the start of Ng’s journey with B Corp. In 2018, he began running workshops on B Corp

certification in Singapore and, later, for the rest of Southeast Asia. Eventually, Genashtim became the B Market Builder for Southeast Asia (except Singapore), which promotes B Corp certification and helps companies along the journey.

“Today, we have 48 companies in Southeast Asia with combined revenues of US\$2.2 billion [RM10.2 billion], and we have more than 30 companies in the pipeline, with a combined revenue of US\$4.5 billion,” says Ng.

The company now also does verification for companies that want to be certified as B Corp. Overall, it has over 150 employees — more than half of whom are PWDs, and up to another 30% from other disadvantaged groups — spread across 20 countries, according to its January 2022 data.

About 100 of them are in the environmental, social and governance (ESG) services team led by Malaysian Tan Ee Beng, who is partially blind. He joined Genashtim in 2020 because he was impressed that the company could be financially viable and still keep its social mission.

“In 2021, B Lab became a victim of its own success because, suddenly, many people were curious about B Corp, when we thought they would be concerned about business survival during the pandemic,” Tan recalls. “Instead, people focused on gaining more credibility in sustainability. The number of enquiries was six times what we projected. Some of the companies needed to wait a year before someone reached out to audit them.”

Consequently, Genashtim was asked by B Lab to do the verification for companies. In December 2020, Tan was tapped to be the lead of this department.

## POTENTIALLY MORE MALAYSIAN B CORPS EMERGING

Of the more than 7,000 certified B Corps globally, 11 are Malaysian and one is a public-listed company (PLC) — InNature Bhd, which operates The Body Shop brand in Malaysia, Vietnam and Cambodia.

But this might change as interest in sustainability increases, alongside growing concern over the inability of current sustainability frameworks to produce verified information and capture the actual impact of businesses on the external world, which some believe can be addressed by the B Corp certification process.

Ng was recently in town to engage in discussions with a Malaysian government agency, which he says is very keen on introducing elements of the BIA to Malaysian small and medium enterprises.

Alternatively, Bintang Capital Partners, a private equity firm 51%-owned by AHAM Asset Management, has made it its mission to create 150 B Corp certified portfolio companies by 2050. Bintang is one of the certified B Corps in Malaysia.

Getting certified by B Corp is not always easy. It was a three-year journey for InNature and a rigorous process, says Molly Fong, executive director of InNature. It failed to achieve the minimum score of 80 on the BIA the first time around.

Fong had to liaise with Tan to understand how to improve its scores. This process, she says, helped the company understand where its weaknesses were.

Compared to sustainability reports, where PLCs identify topics that are material to their industry and focus on those indicators, the BIA requires companies to report on all areas.

“For example, as a retailer, our biggest impact on the environment is Scope Three emissions, accounting for around 80% of our total emissions. So, we really focused on waste management and got our recycling together, and achieved full

circularity for 8% of our transactions in 2022. Now, we are targeting 10% because we are collecting bottles back from our consumers and recycling them into things like combs,” says Fong.

“Other things we never really looked at was water [consumption] because it’s not a big part of our operation. But there is an opportunity to improve. We use some water in our stores for demonstration and handwash. But what can we do in our office? Our colleague installed a rainwater harvesting system. It’s as simple as that.”



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Ng, Genashtim

## WHY BOTHER WITH B CORP?

This begs the question: InNature is a PLC that already prepares sustainability reports according to Bursa Malaysia's requirements, and is a constituent of the FTSE4Good Bursa Malaysia Index.

Why did the company bother going through the B Corp certification process, let alone pay for the annual submission and certification fees? Certified B Corps must also be re-certified every three years.

For Datin Mina Cheah-Foong, executive director and managing director of InNature, it is about having a certification that is holistic in nature and trusted globally. This is especially important "in this age of greenwashing", she says.

There are currently too many standards and frameworks around ESG, add the interviewees, and the B Corp certification process does not just rely only on scraping information from a company's public records, which might not be properly verified.

The B Corp certification process requires an analyst to verify the information submitted and tell the companies what they should do to improve their scores. In terms of financial returns, however, Cheah-Foong says the so-called "ESG share price premium" does not exist yet.

"Apart from the self-satisfaction and incremental improvements that we've implemented to make ourselves a better business, there is no ESG share price premium. You still have to do all the work and have super profits and show exponential growth. Even the funds that profess to invest in ESG have many disqualifiers, saying, 'We only invest in businesses generating over a billion dollars' or 'We only fund industries that are particularly polluting,'" says Cheah-Foong.

The low awareness of B Corp in this part of the world is also a problem.

"If I were on, say, the Dow Jones Index or FTSE4Good, although not as robust or comprehensive, people know about it and it gives us more exposure and positive feedback," she says.

Ng acknowledges this challenge but believes that this awareness is more present in the business-to-business industry.

Larger companies are on the lookout for suppliers that can demonstrate their sustainability achievements, as they have procurement strategies, sustainability targets and have to comply with regulations such as the European Sustainability Reporting Directive.

"In fact, when we asked the people in the government agency why they are interested, they said it was because they wanted to attract more foreign direct investments," says Ng.

For some, the achievement of a B Corp status might be motivated by more internal factors.

Christopher Marquis, professor at the University of Cambridge Judge Business School and author of *Better Business: How the B Corp Movement is Remaking Capitalism*, observes that many certified B Corps like how the process made them improve their operations, attract talent and demonstrate their passion for environmental and social causes.

"It's something that helps a company be better for the long run.



To me, it's also about business preparedness. Is Bintang prepared for the investment landscape of the future, where our investors increasingly focus on sustainability?

Johan, Bintang Capital Partners

Some of the research has shown that in the financial crisis of 2008, certified B Corps were more likely to make it through. The resilience was a benefit," says Marquis, who was recently in Kuala Lumpur.

This is echoed by Johan Rozali-Wathooth, founder and CEO of Bintang. He pushed Bintang to go for the B Corp certification because he believed in what it stands for. But Johan also believes that accounting for social and environmental costs makes business sense.

"We have gone from sharing the planet with around four billion people to eight billion today. By the time I retire in 2050, I think the projection is we will hit

10 billion people. If you think about how fragile the habitat is going to be as the population keeps growing, obviously, it can't be just business as usual anymore, right?" he says.

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## IS B CORP BETTER?

Adding yet another sustainability framework or standard into the "alphabet soup" is risky, especially as companies in Malaysia already feel the strain of keeping up with these developments.

Some may also question why companies should opt for B Corp certification if it means they will incur more costs. There is a submission fee of US\$500 and an annual fee that goes from US\$1,000 (for companies with annual revenues of less than US\$1 million) to US\$45,000 and above, depending on the size of the company.

But the interviewees stand by B Corp certification as one that is more holistic than others, as it covers the operations of the entire company in five areas and requires verification by analysts and re-certification every three years. An official whistleblowing platform allows the public to voice their complaints.

"For example, a company claims that it pays 80% of its manpower a living wage. The analysts will look at the company's payroll and audit report. They will also request further details on certain employee data," explains Genashtim's Tan.

"Somebody might fake this data, but B Lab always believes that once a B Corp gets a complaint and it goes to press, they will investigate the company."

The B Corp standards are aligned with the Global Reporting Initiative (GRI), the International Sustainability Standards Board, the United Nations

Sustainable Development Goals and recommendations by the Task Force on Climate-related Financial Disclosures, Tan adds. "For GRI 2016, we discovered 67% of similarity in the material topics disclosed in the GRI report and the BIA."

B Corp certification is a solution for companies that want a globally recognised certification, says InNature's



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Cheah-Foong, InNature



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Marquis, University of Cambridge Judge Business School

## STEPS TO GETTING B CORP-CERTIFIED

- 1 Register for the free and confidential B Impact Assessment (BIA).
- 2 Use the legal requirement tool to determine how to integrate the stakeholder consideration into governance structure.
- 3 Complete risk review and baseline requirements for multinational corporations, if required.
- 4 Gather supporting documentation and data.
- 5 Complete the BIA online.
- 6 Establish company profile and start the disclosure questionnaire.
- 7 If your score is under 80 points, re-evaluate and prioritise improvement areas. If you score above 80 points, submit the BIA for review.
- 8 Wait for the analyst to review your BIA, company structure or controversial industries.
- 9 Provide information on employees and suppliers for verification and go through a review call with the analyst.
- 10 Sign the B Corp agreement and publish the BIA score and company information on the B Corp directory.
- 11 Prepare for re-certification every three years.



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Tan, Genashtim

Cheah-Foong, who calls for Bursa Malaysia to adopt the BIA. Using a well-accepted and global system is better than reinventing the wheel, she adds.

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Not all companies have to undergo the certification process to benefit, though. Doing the BIA is free, and it is something that Ng encourages businesses to take advantage of to get started.

## DEALING WITH THE NAYSAYERS

A certified B Corp is not without criticism, of course. The most recent would be the addition of Nespresso to the B Corp community, which prompted 32 certified B Corps to send an open letter to B Lab Global in protest.

They were concerned about Nespresso's certification because of investigations into its use of child labour, worker abuse and wage theft, and said the BIA currently had no way to measure or hold Nespresso accountable for its commitments to pay living wages and improve human rights due diligence.

Some of these criticisms will, in fact, be addressed by B Corp's standards review, which is undergoing consultation this year. It expands the assessed categories from five to 10, and requires companies to meet basic scores in each category rather than just achieving a minimum of 80 points across all categories, says Ng.

A point to note is that the B Corp is meant to encourage businesses to do better, say Ng and Johan in response to the criticism.

Johan points to companies such as Scottish brewery BrewDog, which lost its B Corp certification, following an investigation into its toxic work culture.

The public can hold certified B Corps accountable, as their BIA scores are published on the B Corp website, but publication of further details on each company's answers to the questions is optional.

For instance, Nespresso has its disclosure questionnaire published on the B Corp website, where it identifies potentially sensitive issues and mitigation solutions, including on cases in which it detected use of child labour in Guatemala and an investigation on unfair working conditions in its Swiss factories.

But if one wanted to know the latest targets, emissions profile, procurement policies, waste management strategies or gender diversity breakdown, the data cannot necessarily be found. InNature, for instance, does

not publish this information on the B Corp website, but it is available in its sustainability report on the company's own website.

Johan says making such detailed public disclosures optional makes sense for smaller companies that have just begun the journey.

"They might be reluctant to publish detailed information, for fear of being criticised for 'not doing enough' or simply not having enough resources to do so," he says. "I'm not making excuses but perhaps at that level, these companies should be encouraged rather than harassed to do better. [We can tell them] why don't they aim for a higher score three years later when they get re-certified?"

But Johan believes that bigger companies, especially those that are listed, should disclose more details on the B Corp website to support their scores.

"The key is to strike the right balance. Encouraging companies to take this step towards sustainability is important, but it's equally important that we don't end up discouraging or frightening them off. The latter outcome leaves us no better off as a society," he says. **E**