



## **VBSR Legislative Initiative For-Benefit Corporations in Vermont**

### **What is a For-Benefit Corporation”?**

A For-Benefit Corporation is a new corporate entity offering entrepreneurs and investors the option to build and invest in businesses that meet higher standards of corporate purpose, accountability and transparency. Fiduciary duty is redefined by requiring consideration of interests beyond shareholders, including the corporation’s employees and suppliers, the local and state economy, and the environment.

### **Why is this important to Vermont?**

- Vermont can better serve hundreds of Vermont businesses which would benefit from the greater clarity provided regarding corporate purpose and fiduciary duties.
- Vermont can strengthen the Vermont brand by becoming the first state in the nation to create a new kind of corporation which benefits both society and shareholders.
- Vermont For Benefit Corporations will be required to consider the community and employee impact of potential sale, merger and relocation decisions, giving directors additional protection to choose to remain independent and local.
- Vermont For Benefit Corporations will be attractive to the increasing number of investors seeking greater transparency and social impact in their investments.
- Vermont incorporation will be attractive to the more than 30,000 businesses using sustainability and social innovation as a source of competitive advantage.

### **How would a For-Benefit Corporation differ from the current corporate model?**

In three major ways: 1) corporate purpose includes the creation of public benefit; 2) directors’ fiduciary duties include consideration of non-financial interests; and 3) transparency is increased through required public annual For Benefit Report.

### **Would this law be a mandate?**

No. The legislation would provide an option to new and existing companies -- and their investors -- to voluntarily adopt higher standards of corporate purpose, accountability, and transparency. The market will then decide whether it rewards corporations that have met those higher standards

### **Who supports this legislation?**

VBSR has partnered in this effort with the Vermont Employee Ownership Center and is in discussions with other potential partners. The list of Vermont business supporters is growing and includes Chroma Technology, King Arthur Flour, Gardeners Supply, Seventh Generation, Vermont Smoke and Cure, Clean Yield Assets, and Main St. Landing.

### **Has this been reviewed by Vermont's legal community?**

Yes. More than a dozen attorneys from leading Vermont firms have been invited to review the draft legislation. Reviewers include: Ken Merritt-Merritt, Merritt & Moulton, Mark Saunders-Shems Dunkiel, & Raubvogel, and Stephen P. Magowan-Steiker, Fischer, Edwards & Greenapple.

**Please see the attached draft bill for your consideration.**

#### **Contact Information:**

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