Guidance on Baseline Requirements

for Multinational Companies over US$5billion

Updated January 2024

B Lab Global

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Introduction & Background

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Companies with more than $5B in annual revenue are required to participate in the B Movement Builders program. Inspired by the leadership of the global B Corp community, B Movement Builders is a collaborative coalition of leading multinational companies that catalyze the global movement of business as a force for good. **The B Movement Builders program and the B Corp Certification are different but harmonized pathways.** For multinational companies, achieving B Corp Certification is a long-term goal. The B Movement Builder program is designed as a journey to foster real transformation and change, aligned with the principles of the B Corp movement and allowing for impact throughout the process.

In order to become a Certified B Corp Certification, parent companies with $5 billion or more in revenue must meet minimum baseline requirements in addition to the other certification requirements (i.e. adopting stakeholder governance, overall verified score over 80 on B Impact Assessment, passing Disclosure Review process for controversial issues). These additional requirements recognize that the overall scale and influence of these companies also entail higher obligations to society, and are designed to ensure that B Corp Certified multinationals have strong records of performance on important aspects of their social and environmental performance in addition to achieving a score of 80 or above on the B Impact Assessment.

These Baseline Requirements were developed as part of a two-year process with the support of the Multinational Public Markets Advisory Council. Through this process, the requirements went through an initial development phase with the Performance Standards Working Group, a testing and refinement phase with company testers and stakeholder commenters, independent market research and testing, and were approved by B Lab's Standards Advisory Council. An independent Multinational Standards Advisory Council (MNC SAC) of expert stakeholders across academia, business, and civil society was created to formally review and approve company actions against the Baseline Requirements, as well as the revision of the requirements themselves as necessary in the future. Further information on the members and governance of the MNC SAC is available here.

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Introduction & Background

The Baseline requirements are:

1. **Reporting**
   An annual, comprehensive impact report transparent to the public using a third party standard (GRI, BIA, etc).

2. **Materiality Assessment**
   A transparent materiality assessment and stakeholder engagement process, conducted on a regular basis (minimum every other year with mechanisms for intermediate updates as appropriate), and used to identify relevant megatrends and material topics to the company, that includes a transparent grievance / complaint mechanism, and that is overseen by the Board of Directors.

3. **Materiality Issue Management**
   Management strategies on the most material issues relevant to the business that are overseen by the Board of Directors, and includes specific, aspirational performance goals, and demonstrated progress towards those goals. Management strategies and performance goals must be made transparent to stakeholders.

4. **Tax & Government Affairs Disclosure**
   A disclosure statement on the company's tax philosophy / approach and government affairs (lobbying / advocacy) including the company's overall effective tax rate, that is overseen by the Board of Directors.

5. **Human Rights Policy**
   A specific human rights policy that is overseen by the Board of Directors, and includes EITHER an explicit commitment to key human rights covenants (including the UN Declaration of Human Rights, UN Guiding Principles on Business and Human Rights, and ILO Principles), OR identifies the most salient human rights issues relevant to the business and its overall operations through a human rights risk assessment.

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Introduction & Background

The focus of this document is to provide more detailed guidance on the interpretation of each of these requirements by companies who are seeking to meet them. For each requirement, the content of this memo has been divided into the following subsections:

- **Rationale:** Explanation and justification for why the requirement matters and has been developed.
- **Guidelines for Acceptance:** Minimum guidelines of company practices in order to meet the requirement as well as information around what materials would verify them.
- **Actions Not Meeting the Requirements:** Examples of common company practices that may seem to be meeting the requirement, but are not.
- **Best Practices:** Examples of best practices that go above and beyond the minimum baseline requirements that, even if not required, signal high performance and should be encouraged.
- **Company Examples:** Where possible, company references related to the requirement have been provided based on publicly available information. These references may be meeting some or all components of the requirement, and do not necessarily indicate that the companies included would be eligible for B Corp Certification.

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Introduction & Background

Updates and Amendments:

In November 2023, the MNC SAC approved the following amendments in recognition of the growing number of large independent subsidiaries over US$5billion in revenue seeking B Corp Certification, whose risks are similar to that of parent companies of the same size:

- The integration of the existing baseline requirements into the new edition of the B Corp Standards.
- The application of the Baseline Requirements to US$5b+ subsidiaries looking to certify before the implementation of these new standards.
- The company actions within the baseline requirements will continue to apply to parent and subsidiary companies over US$5billion in revenue, as well as some smaller companies upon launch of the new standards.

The interim baseline requirements for US$5b+ subsidiaries are based on the existing baseline requirements for parent companies. Changes include provisions for oversight and governance at the subsidiary level as well as further guidance on accountability and implementation.

One key change is the replacement of the term ‘board of directors’ with ‘highest governing body’ for subsidiary companies, within the scope of certification. The Highest governing body refers to the person or group of people who have ultimate accountability for the whole organization. This is in recognition that many subsidiaries companies are bound to group policies and practices. It is therefore important that a company can refer to oversight from the highest governing body within the scope of certification that demonstrates roll out and enforcements, and not solely a parent board of director, whose oversight may be distant and indirect.

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Introduction & Background

The guidance for applying the baseline requirements to subsidiaries is aligned with the current draft of the new performance standards. The draft is currently undergoing its second public consultation, therefore, further clarification and guidance may be updated and amended once the new standards are finalised.

An additional subsection has been added to the Guidelines for Acceptance for each Baseline Requirement regarding application for US$5b+ subsidiaries. For each requirement, the guidance outlines A) the compliance criteria or company actions required to meet the baseline requirement, B) scope referring to the companies that must meet these actions within the scope of certification, and C) oversight as in the level of oversight required for each baseline and how that differs from parent companies.

An appendix has also been added that maps the baseline requirements to the new draft standards and highlights any key changes to provide transparency on the direction of these new standards. The guidance provided in the appendix (Appendix 1) is not final or binding, and will be updated in line with the development of the new standards.

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Application of the Guidelines

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Application of the Guidelines

These Guidelines are intended to provide transparency for stakeholders into the processes that both B Lab Standards Team and the MNC SAC will use to determine whether a company is meeting the Baseline Requirements or not. As companies undergo formal review by the MNC SAC, these Guidelines ensure consistency in the review process and the creation of precedents that demonstrate concrete actions that companies can undertake to meet each individual Baseline Requirement.

Any company that has all of their Baseline Requirements approved by the MNC SAC will be required to include incremental disclosure on their B Corp profile which outlines how they are meeting the Baseline Requirements.

These Guidelines will be updated as necessary as B Lab and the MNC SAC continue to improve and refine its processes based on lessons learned and feedback received throughout their initial application.

All feedback on the Guidelines is welcome and can be sent to B Lab's Standards Management team at standardsmanagement@bcorporation.net

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1 | Reporting

1 Reporting

An annual, comprehensive impact report transparent to the public using a third-party standard (GRI, BIA, etc.)

Rationale

Multinational companies operate globally and yet their impact can be felt locally by many stakeholders in those societies. An impact report goes beyond a company's financial bottom line to report on the impact to all stakeholders across their value chain. The requirement for impact reporting reflects a demand for more transparency and accountability on how companies are performing on their economic, environmental, and social impact, allowing stakeholders to understand and make their own judgments about company performance.

The use of a third-party standard for impact reporting ensures meaningful transparency on a range of relevant economic, environmental, and social issues in a way that is understandable and comparable across other companies. It also acts as a trusted reference for regulators worldwide and encourages and enables credible non-financial reporting of a company's impacts, both positive and negative.

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Guidelines for Acceptance

For a company to meet this requirement, they would be expected to have a comprehensive report from the last calendar year that is set to a third-party standard and is publicly available, for instance via a company website. Reports could be presented in a variety of formats — including an integrated annual report or a standalone sustainability / impact report — but must be comprehensive, in the sense that they cover all relevant facets of a company's economic, social, and environmental performance (not, for instance, a report that focuses only on labor practices). The report must use a third-party standard, with the most commonly universally accepted standard for sustainability reporting being the Global Reporting Initiative (GRI). In the case where companies use another third-party standard, the standard would need to be reviewed by B Lab's Standards Management team and approved by the Multinational Standard Advisory Council.

Verification that a company is fulfilling this requirement can be provided via PDF (along with info about how to access the PDF) or online links to the relevant report from the last 12 months, together with proof that a third party standard was used. This could be included in the report itself, provided through supplementary documentation (such as an internally referenced GRI Index), or linked to a verified online third party standard database, e.g., the GRI Reporting Database which indicates at a minimum, Report Type — Citing-GRI.

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Actions Not Meeting the Requirements

- Participating in a third-party disclosure initiative such as the CDP or the DJSI, while valuable for other reasons, would not meet this specific requirement. These initiatives are not focused on broad-based public transparency of performance data for all stakeholders, and, at least in the case of CDP, would also not be considered comprehensive.
- Having a non-financial report that includes company created sustainability metrics or info audited by a third party such as an accounting firm would not meet the third-party standard requirement. This type of audit confirms the accuracy of information provided, but not necessarily whether that information adheres to common and comparable standards like GRI.

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Best Practices

- Company's report publicly features information about the third-party standard used, such as a GRI index, and is not just an internal reference. Company's report features content related to each of the baseline requirements described below.
- Company's report is integrated with financial reporting to allow joint analysis.
- Company's report is aligned to the Sustainable Development Goals.

Relevant Resources

GRI Reporting Database
B Impact Assessment
B Impact Assessment and GRI Mapping

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Company Examples

Givaudan, a Swiss-based fragrance company with revenue of US$6.9 billion, released their 2020 integrated annual report that is set to a GRI framework and available on their website. Besides reporting on the financial performance of the company, the report clearly discloses information related to the company's sustainability strategy, materiality assessment, and stakeholder engagement, and identified material issues related to their four sustainability pillars of their new 2025 strategy — Creations, People, Nature and Community. As well as highlighting the new company goals, the report also reflects on the progress the company has made over the past four years. All of their goals are aligned with the Sustainable Development Goals. The report presents an overview of their compliance with the GRI Core option for reporting, iterations to their reporting processes, and a link to their separate sustainability report that includes a full GRI index.

Danone, a multinational food products company with almost US$30 billion in revenue, recently released their 2020 Annual Report. This integrated report highlights their ongoing health, their environmental and social performance, and key milestones achieved during 2020. The company presents information on their 2030 goals linked to their 'One Planet, One Health' mission. The report is divided between 'Impact and Performance' and 'Issues' and provides detailed information on the company's non-financial performance. The company has a separate document for exhaustive extra financial data for 2020 that maps their reporting against the GRI framework. The reports are publicly available online on their company website.

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Guidelines for Acceptance for independently certifying subsidiaries with more than US$5billion in annual revenue.

Compliance Criteria:

- Compliance and verification criteria is similar to that for parent companies (see pg. 13).

Scope:

- Independently certifying subsidiaries must have their own annual impact report on their own company website or dedicated webpage for all companies within the scope of Certification. Applying this scope ensures accountability and transparency for Certified companies and ensures that the certifying subsidiary is reporting on impacts that are relevant to their scope of business and stakeholders, as opposed to their overall parent company. Therefore, a consolidated report at the parent level would not be meeting the requirement for an independently certifying subsidiary.

Oversight:

- No oversight required.

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2 Materiality Assessment

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2 Materiality Assessment

A transparent materiality assessment and stakeholder engagement process, conducted on a regular basis (minimum every other year with mechanisms for intermediate updates as appropriate) and used to identify relevant megatrends and material topics to the company, that includes a transparent grievance/complaint mechanism and is overseen by the Board of Directors.

Rationale

Identifying material issues enables companies to focus on the sustainability issues that are most relevant to their business and stakeholders, and while there may be variability in how material issues are determined, it is necessary to do so with the broad input of the company's stakeholders, including those throughout their entire supply chain. As part of a meaningful stakeholder engagement process, it is also necessary to ensure the availability of a transparent grievance mechanism that is available to both internal and external stakeholders to remedy where a company may have caused or contributed to a negative impact. Such a mechanism can also act as an early warning system for companies and inform their broader economic, environmental, and societal actions. Stakeholder engagement and identification of material issues also enables companies to enhance strategic decision-making, identify business opportunities, and strengthen stakeholder relationships.

This requirement stipulates that materiality assessments should be updated at a minimum every other year in order to reflect what can be frequent and significant changes in both business practices and the context in which businesses operate, which could potentially lead to new topics that are material to a business's social and environmental performance (as in the case, for instance, of potential shifts as a result of COVID-19). The every-other-year time frame also acknowledges, however, that conducting materiality assessments every year may be a costly and unnecessary process, and therefore is not a minimum requirement. It also provides a regular opportunity for companies to learn, grow, and improve through meaningful stakeholder dialogue by engaging often marginalised stakeholder groups, including those in their value chain.

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These efforts, along with the other requirements that specifically call them out, require Board of Directors oversight. A company Board of Directors is the highest level of oversight within an organization; their approval signals that the topics featured in these requirements are embedded throughout the entire company and are related to the company's overall purpose and governance. Overseeing the materiality assessment helps boards understand and help efficiently drive action on the social and environmental issues that intersect most directly with the business[1]. While the materiality assessment itself may be carried out at a senior management level, the Board or a relevant Subcommittee of the Board would be expected to be updated on the materiality assessment strategy and outcome.

[1] https://www.ey.com/en_us/board-matters/five-ways-boards-can-unlock-esg-s-strategic-value

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Guidelines for Acceptance

For a company to meet this requirement, they would be expected to have conducted a materiality assessment that identifies a comprehensive set of economic, social, and environmental issues based on a cross-functional process that engaged a strategic representation of internal and external stakeholders that are key to the company. In order to ensure that a stakeholder engagement process is sufficiently meaningful, there should also be demonstration that a broad selection of stakeholders in their value chain — such as civil society, NGOs, customers etc., including underrepresented groups — to ensure that they are listening to often-marginalized stakeholders, that they have been engaged in the process, and that the material issues identified are relevant to the broader impacts of the business on those stakeholders, not focused solely on company operations and financial performance. Since best practices in materiality assessment processes are continuously evolving and there is no single defined standard, it is not possible to prescribe specific practices for engagement, the number of stakeholders engaged, or the material issues that should be identified for the context of any individual company at this time. Instead, B Lab and the MNC SAC will review the overall processes, stakeholders engaged, and results of the materiality assessment to determine that they have sufficiently met the guidelines provided here.

The final outcome, in the form of a materiality matrix or a list of identified material issues, should be publicly accessible either in the annual impact report and/or on the company website. Whether a part of its sustainability report and/or information about its stakeholder engagement, the company should also have a publicly acknowledged complaint/grievance mechanism available to all stakeholders.

Verification that a company is fulfilling this requirement can be provided via PDFs or links to an online impact report or public company website that contains a recent materiality matrix together with background information on the materiality assessment process, including the types of stakeholder groups that were engaged. The company should also provide a link to a transparent complaints/grievances mechanism that is accessible and available to both internal and external stakeholders.

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In order to meet the expectation that companies engage in materiality assessment at least every other year, a company could provide proof of an interim or ongoing review of materiality via continual engagement with stakeholders to acquire and incorporate changes in material topics, rather than conducting a "full" materiality assessment at such frequency; they would nonetheless be expected to conduct a full materiality assessment at least every four years as well.

Board or Board Subcommittee oversight would be explicitly mentioned in the above publicly available materials, a copy of the charter or policy that mentions oversight over identifying material social and environmental issues, or a copy of minutes (with sensitive info redacted) that demonstrates the materiality assessment and stakeholder engagement were discussed.

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Actions Not Meeting the Requirements

- A materiality assessment that focuses exclusively on topics related to the traditional operation and financial performance of the business (for example, a focus on efficiency, worker productivity, or customer satisfaction).
- A stakeholder engagement process that failed to engage key external stakeholders or failed to meaningfully take into account their inputs.
- A materiality assessment process that fails to identify one or more key social or environmental issues that should be material to the stakeholders of the company (for example, an energy company that does not recognize climate impact as material; a financial service company that does not recognize the social and environmental impact of their investments) .
- A complaint mechanism that is not broadly identified for stakeholder complaints regarding social and environmental issues (for example, a customer service complaints mechanism).
- Reference to a third-party complaint mechanism that is non-binding without an explicit commitment to participate when deemed material.
- Oversight from the company's management or executive committee but not the Board of Directors, as it does not demonstrate the highest level of fiduciary responsibility.

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Best Practices

- Company's materiality assessment is conducted with or by a reputable third party to allow for independence in the analysis.
- Company implements the GRI 2016 Guidelines on Materiality defining material issues explicitly by the importance of material issues to stakeholders and the impact of the company actions on those issues (rather than the impact those issues have on the company).
- Company keeps record of all grievances and complaints and publicly reports on progress and outcomes including influence on company materiality and reporting.
- The company has a specific Board of Director Subcommittee focused on sustainability impact that has direct oversight of all relevant Baseline Requirements for B Corp Certification, including the materiality assessment process and results.
- Boards are provided training/educated on materiality assessment — ensuring a comprehensive understanding of key company stakeholders, engagement methods, and associated processes.

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Relevant Resources

Materiality and Topic Boundary GRI
Defining materiality What Matters to Reporters and Investors
Remediation and Grievance Mechanisms
Leadership Role and Accountability in ESG: A guide for Board and Directors
AA1000 Stakeholder Engagement Standard

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Company Examples

Boots Walgreens Alliance, an American pharmaceutical company with a revenue of US$139 billion, conducted their most recent materiality assessment in 2020. While the company generally carries out materiality assessments on a three-year rotation, they have various processes in place to ensure ongoing stakeholder engagement, such as quarterly meetings with NGOs and civil society organizations, quarterly town halls with local communities, and twice-annual employee feedback surveys. In light of the events of 2020, they brought their materiality assessment forward by one year to re-calibrate their material issues. Their materiality assessment process is based on continuous improvement and incorporates retrospective learnings from the base data collected in their 2018 assessment, while also expanding the scope of the evaluation timeline of issues to a five- and -ten year perspective in order to identify future and emerging issues. The assessment itself was carried out across cross-functional teams, including the sustainability, reporting, marketing, consumer insights, operations, and financial departments, as well as with third parties 'Forum for the Future' and 'Datamaran'. They invited 250 external stakeholders from NGOs, suppliers, retail clients, industry groups, government agencies, and insights and 350 internal stakeholders across different employment tiers to engage through a mix of surveys, interviews, and focus groups. To ensure a wide diversity of opinions, this was followed by in-depth interviews with 45 stakeholders and combined with information from the various company engagement forums and 6000 consumer inputs from across their global markets. As a result of the process, they identified 32 topics of relevance. The final materiality matrix and the materiality assessment process were included in their annual report and are also being used to inform a new sustainability strategy to be included in their 2021 annual report. The CSR Committee, an official subcommittee of the Board of Directors, sponsored the materiality assessment process and reviewed the findings and recommendations. Updates from the key findings from the process were then presented to the main Board.

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Nestle, a Swiss food products company with revenue of US$99.7 billion, conducts a formal materiality assessment process every other year. The assessment was co-led by the Public Affairs and Group Risk Management teams, and undertaken by an independent third party. In their 2020 assessment, they integrated their Enterprise Risk Management (ERM) process, to ensure that the wider sustainability issues were incorporated into the risks and opportunities across the company. The Audit Committee of the Board of Directors provides oversight on significant risk exposures and provides advice on the risk management process established by management. The Nomination and Sustainability Committee of the Board periodically discusses how other material non-financial issues affect financial performance, in addition to reviewing the company's significant stakeholders and their material interests.

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Guidelines for Acceptance for independently certifying subsidiaries with more than US$5billion in annual revenue.

Compliance Criteria:

- Compliance and verification criteria is similar to that for parent companies for both materiality assessment and grievance mechanism (see pg. 21).

Scope:

- **Materiality Assessment:** Independently certifying subsidiaries must carry out their own materiality assessment for the companies within the scope of Certification. Similar to the scope for reporting, the intent is to focus the impact and accountability, ensuring that the independently certifying subsidiary engages stakeholders that are relevant for their own opertionas, as opposed to their parent company. The outcomes of this materiality assessment must be publicly available on the independently certifying subsidiary's own website or dedicated webpage. Therefore, a consolidated materiality assessment at the parent level in which the certifying subsidiary participated would not be meeting the requirement.

- **Grievance Mechanism:** Independently certifying companies can follow a parent company policy and practice for the grievance mechanism but must have accountability and implementation practices at the local subsidiary level. The grievance mechanism must be publicly accessible from the independently certifying company website or dedicated webpage. Where necessary, the grievance mechanism should be available in local languages.

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Guidelines for Acceptance for independently certifying subsidiaries with more than US$5billion in annual revenue.

Oversight:

- **Materiality Assessment:** Oversight is required at the highest governing body within the scope of Certification for the materiality assessment. The highest governing body could vary depending on the subsidiary, as some may have their own subsidiary board of directors or a subsidiary executive committee only. The parent board of directors must also be informed of the materiality process and outcomes.

- **Grievance Mechanism:** The grievance mechanism can be overseen by either the parent company or the highest governing body at the subsidiary level. Either way, there must be an accountability lead within the scope of Certification.

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3 | Material Issue Management

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3 Material Issue Management

Management strategies on the most material issues relevant to the business that are overseen by the Board of Directors and include specific, aspirational performance goals, and demonstrated progress toward those goals. Management strategies and performance goals must be made transparent to stakeholders.

Rationale

Beyond just identifying and reporting performance on material social and environmental issues, to be considered a leader it is also necessary for a company to demonstrate performance on those topics is itself leading. While purposeful change does not happen easily or overnight, the creation of management strategies based on stakeholder engagement that include time-bound aspirational goals enables companies to acknowledge where improvements are necessary, and stay on track in the long term while making incremental progress in the short term.

Key to this requirement is the concept of an aspirational goal, which is intended to be ambitious and transformational. Aspirational goals go above and beyond incremental goals, are generally in line with the Global Sustainable Development Goals, and should largely set the bar as high as possible — only lowering it where evidence proves that certain actions are unrealistic. In some cases, it may mean setting the bar beyond where a company knows it can go in order to push the company to innovate beyond current limitations.

Board of Directors oversight is included for the same reasons as highlighted in the above requirement, and the same acceptance criteria would apply to demonstrate awareness and approval of company management strategy of material issues.

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Guidelines for Acceptance

For the company to be meeting this requirement, they would need to demonstrate that they have created at least three clear management strategies and aspirational goals. Goals would qualify as aspirational if they are:

- Linked to the material economic, social, environmental issues identified via their materiality assessment process, taking into consideration the company's ability to impact and influence the issue.
- Time-bound and long-term in their vision.
- In line with planetary boundaries and social conventions (SDGs, Paris Agreement, United Nations Guiding Principles for Business & Human Rights).

And are meeting at least one of the following criteria:

- Industry-leading, i.e. can be demonstrated to substantially exceed industry norms of performance on the given issue.
- Science-based, i.e. aligned with best available science in regards to living within planetary boundaries.
- Would qualify for substantial credit in an Impact Business Model as defined in B Lab's B Impact Assessment[2].

Specific examples of aspirational goals could include:

- Commitment to a living wage for workers in their supply chain
- SBTi approved climate goals
- 100% gender equality across management globally
- 100% of energy is from renewable sources, or other commitments in line with the Future Fit Break Even Goals.
- 100% sustainable material inputs that are renewable, recyclable, or reusable, or other goals set in line with the United Nations Global Compact SDG Ambition Accelerator.

[2] Companies would be expected to make goals that meet the definition of the B Impact Assessment IBMs by being specific, material, verifiable, lasting and extraordinary. Due to the complex nature of assessing and verifying IBMs, companies would be assessed on a case by case basis.

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Because this requirement is focused on management of material issues, if a company can demonstrate that their performance on a particular issue *is already industry-leading*, as determined by a reputable third party benchmark that is governed as a public good; has a transparent globally applicable methodology; is tied directly to the relevant material topic; and can be demonstrated to indicate industry-leading performance, then that counts as meeting one of their necessary goals. The company will be required to maintain their leading edge performance over time to maintain eligibility. Each benchmark would need to undergo review and approval by the MNC SAC on a case-by-case basis.

Verification that a company is fulfilling this requirement can be provided via PDFs or online links to the company website or impact report that clearly shows management strategies of material issues and their direct links to the aspirational goals. To demonstrate how these goals are industry-leading, a company would provide research or benchmarks that confirm that they are outperforming their peers on these issues. To demonstrate that a goal is science-based, a company would be expected to show approval of the goal by an independent body such as the Science Based Targets Initiative. To demonstrate that a goal is in line with one of the Impact Business Models (IBM) defined in the B Impact Assessment, the company would need to demonstrate that the scope and company practices qualify for substantial IBM credit. Progress towards their goals can be demonstrated either in the annual impact report or on the company's website; in all cases, they should be transparent to stakeholders. Where goals do not meet these criteria but may conform to the above general definition of aspirational, the company can submit their goals for review by B Lab's Standards Management team and approval by the Multinational Standard Advisory Council.

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Actions Not Meeting the Requirements:

- Management strategies and goals that do not link to material issues identified by the company through a recent materiality assessment.
- Goals that are incremental in nature without reference to an external aspirational benchmark, i.e. a 20% reduction in carbon emissions.
- Inclusion or high ranking on the Dow Jones Sustainability Index or other leading Sustainability indices as a qualification for 'leading performance,' both because it does not provide specific performance evaluation of individual issues, and because of questions about its differentiation of leading performance.

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Best Practice

- Company has aspirational goals for *all* issues identified as material, in addition to just three.
- Company has set goals that are not just-industry leading but are in fact science-based (where possible).
- Company goals go beyond the achievement of science-based targets based on more accelerated timelines, or by seeking more positive or regenerative solutions, e.g., achieving net zero emissions by 2030 or going beyond net zero to become carbon positive.

Relevant Resources

Pivot Goals
Future Fit Goals
CDP
World Benchmarking Alliance
SDG AM
United Nations Global Compact SDG Ambition Accelerator

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Company Examples

In 2021, **Unilever,** the multinational consumer goods company with revenues of almost US$60 billion, extended their commitment of providing a living wage to everyone in their operations to providing a living wage or living income to everyone who directly provides goods and services to their company by 2030. This will apply to Tier 1 suppliers and their employees, outsourced manufacturing, and their priority agriculture crops. In 2020, they added the principle of a living wage to their Code of Business Principles and recognise that advocacy and collaboration will play a key role in achieving their goal through a multistakeholder approach. This goal qualifies as aspirational as it is industry-leading, linked to material issues, time-bound and transformational in its impact to the lives of stakeholders.

In 2020, **Givaudan** launched their new purpose-led strategy and 2030 goals. One of their goals under the pillar 'People' aims to create parity between men and women in leadership positions across all of their global markets by committing to 50% of senior leadership being women. This goal is linked to SDG 5, as well as to the company's material issues, and it is time-bound. This goal can be considered aspirational as it is in line with global full gender parity rather than just an incremental increase.

BMW, the German car manufacturer with revenues of almost US$117 billion, have set climate goals that have been validated by the Science Based Targets Initiative in line with the 1.5 degree climate scenario. This includes reducing their CO2 emissions by 200 million tonnes by 2030, equivalent to 20 times the annual emissions of a city with one million inhabitants. This target is divided into five steps: to have 50% of global sales fully electric by 2030; leverage circular economy principles; reach 50% less battery impact; incorporate circular design and mono materials; and offset unavoidable emissions. This goal qualifies as aspirational as it is science-based, linked to the company's material issues, and in alignment with the SDGs. The company's commitment to reduce CO2 emissions while enabling the growth of the electric vehicle market can be considered industry-leading in a global transition away from fossil fuel powered vehicles.

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Guidelines for Acceptance for independently certifying subsidiaries with more than US$5billion in annual revenue.

Compliance Criteria:

- Compliance and verification criteria is similar to that for parent companies for both material issue management and aspirational goals (see pg. 32).

Scope:

- An independently certifying subsidiary has the option to submit parent company goals for review, as long as they can verify that they are material to their operations. The independently certifying subsidiary will also need to demonstrate how they are working on actions to meet these goals for their own operations. Where the parent goals are not material, the independently certifying subsidiary would need to create their own aspirational goals that meet the guidelines for acceptance. The material issue management strategies and goals must be publicly accessible on the independently certifying subsidiary's own website or dedicated webpage, or impact report.

Oversight:

- Where the independently certifying subsidiary has their own aspirational goals, they must have oversight at the highest governing body within the scope of certification, and the parent Board of Directors must also be informed. Where the independently certifying subsidiary references parent goals, they must be overseen by the Parent Board, and also be approved and have accountability and oversight from the highest governing body within the scope of certification.

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4 Tax & Government Affairs Disclosure

4 Tax & Government Affairs Disclosure

A disclosure statement on the company's tax philosophy/approach and government affairs (lobbying/advocacy) — including the company's overall effective tax rate — that is overseen by the Board of Directors.

Rationale

Providing transparency about a company's approach to taxation and its tax rate informs how companies are compensating for services that are delivered by society. This becomes even more important for multinationals, due to disparities in tax law that allow companies to legally exploit the global tax system. Stakeholders are demanding that companies view taxation as an integral part of their corporate responsibility, go beyond regulatory compliance, and demonstrate transparency on how they implement and execute their tax strategies to ensure they are aligned with the company's overall sustainability strategies and rhetoric.

This same level of transparency is being sought for a company's approach to Government Affairs. Many multinational companies are positioned to lobby governments for regulations that may benefit their operations, but may also be at odds with their sustainability strategies and the best interests of society. Therefore, having a clear policy on how a company deals with government affairs — including stances on their approach to responsible lobbying and advocacy — is vital for responsible multinational business leaders.

For issues pertaining to company strategy, such as materiality assessments and material issues management, Board of Directors oversight can often be through updates and progress reports. However, where policies are involved, direct approval by the Board or Board Subcommittee is required to ensure that they ratify the decisions of senior management and are aware of any subsequent legal obligations that may apply.

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Guidelines for Acceptance

For a company to be meeting this requirement, the company would need to have publicly accessible policies or disclosure statements on their approach to both taxation and government affairs. These could be stand alone documents or integrated into another overarching company policy document e.g. a Code of Ethics, as long as those topics are explicitly referred to within those policies.

The disclosure statement on taxation should clearly communicate the company's tax strategy and responsible tax practices; include further information on their approach towards compliance, transparency, and tax risks; and outline key stakeholders with whom they engage. The company must also publicly disclose their global overall effective tax rate, which may be included in the taxation disclosure statement or released in an annual report. The disclosure statement on government affairs should clearly communicate the company's approach to responsible lobbying and advocacy and includes information on political contributions, trade industry associations, public policy positions and lobbying, and any political employee activity.

Verification that a company is fulfilling this requirement can be provided via PDFs or online links to documents or company websites.

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Actions Not Meeting the Requirements

- Reference to government affairs or tax within a general company document that covers topics indirectly related to government affairs or tax, e.g., a Code of Ethics that only includes mention of corruption, bribery, and relevant policies.
- A company that only includes their effective tax rate in financial documents but does not include broader disclosures about their tax philosophy.
- Company positions and actions that only focus on legal / regulatory compliance

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Best Practice

- Company tax position outlines a commitment to international Guidelines for Multinational Enterprises set by the OECD.
- Company is committed to the B Team Responsible Tax Code and has created Responsible Tax Principles.
- Company tax disclosures are aligned with the GRI Tax Standard and include the following:
  - Disclosure 207-1: Approach to tax
  - Disclosure 207-2: Tax governance, risk control and management
  - Disclosure 207-3: Stakeholder engagement and management of concerns related to tax
  - Disclosure 207-4: Country by country reporting
- Policies, including effective tax rate, are included in other sustainability related reports for accessibility of information to stakeholders.
- Tax policy includes a link to company whistleblower policy.
- Company government affairs policy includes principles for responsible lobbying and aligns with the Responsible Lobbying Framework.
- Companies are committed to not establishing a presence in low tax jurisdictions for non commercial reasons.

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Relevant Resources

Global Forum on Transparency and Exchange of Information for Tax Purposes
GRI Tax Standard
Responsible Lobbying Framework
Lobbying, Governments, and Public Trust
McKinsey: Organising the government affairs function for impact
Transparency International EU

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Company Examples

Shell, a multinational oil and gas company with revenues of US$180 billion, discloses their approach to tax on their company website, outlining their approach to tax compliance, their transparency on tax matters, and their engagement with stakeholders and tax authorities. They are one of the founding members of the B Team Responsible Tax Principles and publish their Tax Principles on their website. They also publish an annual Tax Contribution report which reports on their effective tax rate, their approach to tax risk, and country-by-country reporting. They do not condone, encourage or support tax evasion; their tax strategy is approved by their Board of Directors, who also regularly review its effectiveness; and they maintain risk management and internal control.

NN Group, a Dutch insurance and asset management company with revenue of US$6.6 billion, has published their tax strategy on their company website. It includes an acknowledgment of the important role that tax contributions play in the societies where they operate. They have created tax principles that incorporate Compliance, Business Rationale, Relationship with Tax Authorities, and Tax Planning. The company releases annual Tax Contribution reports that disclose their effective tax rate; provide details on tax risks, country by country reporting, and the stakeholders that they engage with; and commit to OECD Guidelines on Tax. They also have a tax control framework that monitors the implementation and execution of their tax strategy. A GRI reporting framework index is also included that covers GRI Disclosure 207.1 - 4. The tax strategy is approved by the Management Board of NN Group and reviewed by the audit committee. In 2020, NN Group received the highest ranking on the PWC Tax Transparency Benchmark for their clear and extensive tax strategy.

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IBM, the American multinational technology company with revenue of US$73.6 billion, discloses their approach to government affairs on their website under Philosophy and Governance. They commit to meaningful management, oversight, and accurate reporting with respect to their engagement with government officials. They clearly state the actions that they do and do not partake in with relation to government affairs. They also identify the independent stakeholders they engage with, such as 'Transparency International' and 'The Centre for Political Accountability'. They provide transparency on the following topics: Business conduct and ethics; Political campaign contributions and expenditures; Public policy expenditures and lobbying; Public policy positions; Trade and industry associations; Employee public service and political activity; Grassroots lobbying; and U.S. state government lobbying. They file lobbying reports within the United States, where required, and the European Union Transparency Register. They also ask for any breaches to be reported through their own whistleblower forums, 'Open Door' and 'Speak Up'. IBM's Government and Regulatory Affairs team periodically report to the IBM Board of Directors about the company's policies and practices in connection with governmental relations, public policy, and related expenditures.

Danone released version four of their Advocacy policy in 2020. It describes the topics that they advocate for, the controls they have in place for trade associations in which they participate, the guidelines for employees, and links to their internal whistle blowing policy via the Danone Ethics line. The company does not make any political donations and they have a revolving-door policy for staff. They also provide further disclosure through public reporting mechanisms, such as the EU Transparency Register and the US Lobbying Disclosure Act. The Policy was approved by Danone's Corporate Compliance & Ethics Board and their advocacy strategy and Danone's broader positioning on advocacy is regularly discussed at the Board level. The policy also includes links to several other related Danone policies, one of which is their Integrity Policy providing further details on their approach to corruption and bribery, assurance and auditing mechanisms, and adherence to national laws and accountability.

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Guidelines to Acceptance for independently certifying subsidiaries over US$5billion in revenue.

Compliance Criteria:

- Compliance and verification criteria is similar to that for parent companies for both tax and government affairs disclosure (see pg. 40) .

Scope:

- **Tax:** The independently certifying subsidiary can meet this by having their own tax disclosure statement that applies to the companies within the scope of Certification* or by following a parent disclosure statement or policy. Where the independently certifying subsidiary follows a parent policy, they must demonstrate roll out, enforcement and accountability mechanisms for the companies within the scope of certification. In other words, subsidiaries need to ensure that they are responsible with their tax management in their jurisdiction.
- The effective tax rate must be publicly accessible. It can be either for the companies within the scope of Certification or the parent level.
- *** For Recertification:** The parent company (outside of the scope of the subsidiary's Certification) must also meet the baseline requirement for tax by having a tax disclosure statement that meets the guidelines for acceptance and disclose their effective tax rate by the first recertification of the independently certifying subsidiary. The rationale for this being that tax affairs are generally dealt with at a corporate headquarter level and a subsidiary's tax compliance is intrinsically linked to the actions of the parent, therefore to mitigate the risk of certifying subsidiaries linked to unethical tax practices, the parent is also required to engage in tax disclosure practices.

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Guidelines to Acceptance for independently certifying subsidiaries over US$5billion in revenue.

Scope:

- **Government Affairs:** The independently certifying subsidiary can meet this requirement by having their own government affairs disclosure statement that applies to the companies within the scope of Certification only, or by following a parent company government affairs disclosure statement or policy. Where the independently certifying subsidiary follows a parent policy, the lobbying activities of the independently certifying subsidiary must be clearly identifiable in the group disclosure, as well as all direct and indirect lobbying i.e. where their parent company lobbies on their behalf or via trade industry associations.
- Otherwise, the independently certifying subsidiary will need to create their own disclosure statement. Additionally where a company claims that they do not engage in any form of direct or indirect lobbying, they must have a formal disclosure document that states this.
- The independently certifying subsidiary must demonstrate roll out, enforcement and accountability mechanisms for the companies within the scope of certification. In other words, subsidiaries need to ensure that they are responsible with their government affairs management in their jurisdiction. The government affairs disclosure statement must be accessible from the independently certifying subsidiary website or dedicated webpage.

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Guidelines for Acceptance for independently certifying subsidiaries with more than US$5billion in annual revenue.

Oversight:

- **Tax:** The tax disclosure statement must be overseen by the highest governing body within the scope of certification for the first certification, with the parent company meeting the tax disclosure and board oversight requirement, by the first recertification.

- **Government Affairs:** Where the independently certifying subsidiary has a lobbying disclosure statement that applies at the subsidiary level only, that must be overseen and approved by the highest governing body within the scope of certification. Where the independently certifying subsidiary follows a parent policy, that policy must be overseen by the highest governing body at the parent level, e.g. Parent Board of Directors. This could be written in the disclosure statement itself, or in the charter of the highest governing body.

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5 Human Rights Policy

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5 Human Rights Policy

A specific human rights policy that is overseen by the Board of Directors and includes EITHER an explicit commitment to key human rights covenants (including the UN Declaration of Human Rights, UN Guiding Principles on Business and Human Rights, and ILO Principles), OR identifies the most salient human rights issues relevant to the business and its overall operations through a human rights risk assessment.

Rationale

Having an explicit human rights policy is important as a means of ensuring a company takes a rights-based approach to their business. While a materiality assessment may be useful as a first step in identifying that human rights is indeed a material issue for companies, the specific salient human rights risks can often get overlooked due the difficulty in engaging the stakeholders most at risk of human rights violations. While many companies may already be taking action on human rights in their value chain through nondiscrimination policies, supplier code of conducts and engagement with communities, a human rights risk assessment uses international human rights framework and benchmarks, engages with human rights expertise, and is designed to help assess and govern a business enterprise's actual and potential impact on human rights, not the impact of human rights on a business enterprise. Results from that assessment should be used to identify business strategies to mitigate and prevent further harm by implementing actions and tracking progress.

Recognizing that many aspects of human rights-specific management are still aspirational, despite being important, two potential pathways for achieving this requirement were identified: - either having a policy that takes a companywide approach to uphold and commit to key human rights covenants; or having a policy that specifically identifies and commits to working on the most salient human rights risks in particular aspects of a business and value chain as identified by a human rights-specific risk assessment.

Board of Directors oversight is included for the same reasons as highlighted in the Tax and Government Affairs requirement, and the same acceptance criteria would apply.

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Guidelines for Acceptance

For a company to be meeting this requirement, they must provide a public, specific human rights policy that can be either a standalone document or integrated into another company document such as a Code of Ethics, as long as human rights are explicitly called out in it and it is meeting the other aspects of the requirement. The policy should call out respect for human rights that goes beyond the operations of the company and into the supply chain where the majority of human rights violations traditionally occur. The policy should also disclose the company's approach to breaches and remediation, involvement with multi stakeholder groups related to human rights, and its governance and accountability.

To fulfill the requirement based on a commitment to the key human rights covenants, language in the policy must not only reference the covenants, but include an explicit commitment to them. Given the complexity of managing human rights, particularly in the supply chain, these commitments can be aspirational, and do not necessarily imply that the company and its value chain are completely free of potential human rights violations. The key human rights covenants are:

- The Universal Declaration of Human Rights
- The United Nations Guiding Principles on Business and Human Rights
- The ILO Principles

To fulfill the requirement through the identification of salient human rights risks to the company, the policy must include details of the human rights risk assessment conducted, the salient human rights risks identified through the process, and information on how the company is managing the identified issues and/or committed to addressing them through action plans with mechanisms to monitor and track progress.

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Verification that a company is fulfilling this requirement can be provided via PDFs or online links to the relevant policy documents. Where the company has undergone review by the Corporate Human Rights Benchmark and received a report, they may submit their report for review with particular reference to the which of the following requirements they have met:

- A1.1 - Commitment to Respect Human Rights;
- A2.1 - Commitment from the top;
- A2.2 - Board Discussions
- B2.2 - Assessing: Assessment of risks and impacts identified (salient risks and key industry risks).

Companies would also be expected to provide high-level details of company strategy and/or actions that are aligned with their above commitments in order to demonstrate the active implementation of the policy. Companies that are carrying out a Human Rights Risk Assessment in line with OECD Guidelines on Due Diligence Guidance for Responsible Business Conduct would be meeting the criteria.

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Actions Not Meeting the Requirements

- Policies such as Codes of Ethics or Labor Practices that are related to human rights issues, but do not have an explicit mention or commitment to human rights or do not address human rights holistically.
- A policy that references human rights covenants but includes vague language that does not represent a commitment to them, such as 'informed by', 'recognises', 'based on' or 'in line with.'
- Adherence to or participation in the OECD Guidelines for Multinationals and the United Nations Global Compact. Although both provide a framework for responsible business conduct, adherence or membership does not automatically require an explicit commitment to specifically respecting human rights to the same degree as a commitment to a key human rights covenant.

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5 | Human Rights Policy

Best Practices

- Company has a specific human rights policy that has a clear commitment to key human rights covenants and has identified salient human rights risks through a risk assessment.
- Company has conducted human rights due diligence across all operations and supply chains as per OECD guidelines.
- Company has conducted a Human Rights Impact Assessment and released an impact report with human rights-specific goals in line with the SDGs and progress updates.
- Company has performed a Gap Analysis on how they are performing against the United Nation Guiding Principles on Business for Human Rights.

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Relevant Resources

Core International Human Rights Covenants
How to Develop a Human Rights Policy
A Guide for Implementing Human Rights into Management Practices
Salient Human Rights Issues - United Nations
Danish Institute for Human Rights HRIA Toolbox for Business
Corporate Human Rights Benchmark
Business and Human Rights - A five-step guide for company boards

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Company Examples

Eni, an Italian multinational oil and gas company with revenue of US$51.8 billion, recently released their 2020 Human Rights Report, which includes links to several company documents such as their Statement for the Respect of Human Rights and Code of Ethics. The company endorsed their commitment to key international Human rights Covenants, such as the International Bill of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, as well as adherence to the UN Guiding Principles for Business and Human Rights and the OECD Guidelines for Multinational Enterprises. They describe in detail their approach to Human Rights Due Diligence and the identification of salient human rights issues, as well as actions taken in remediation and mitigation towards those impacted stakeholders. The report also includes information on their whistleblower policy and grievance mechanisms. Eni's Statement on Respect for Human Rights was approved by the Board of Directors in December 2018. Eni was the highest ranked company on the 2020 Corporate Human Rights Benchmark, scoring full points in A1.1, A2.1, A2.2 and B2.2.

Unilever disclosed their 2015 Human Rights Policy Statement on their website, stating that their human rights policy commitment is based on the International Bill of Human Rights. Board-level oversight is provided by the Corporate Responsibility Committee. They have also released a 2020 Human Rights Report that presents their salient human rights issues which, identified through a human rights due diligence process; the partnerships they are undertaking to mitigate and take action on human rights risks; their approach towards remediation; and their progress to date. Furthermore, they reference their Responsible Sourcing Policy, which outlines 12 Fundamental Principles, information on mandatory requirements for suppliers, ways to report on breaches, and their work towards continuous improvement. The Report is also mapped against the UN Guiding Principles Reporting Framework for Human Rights. Unilever was the second highest ranked company on the 2020 Corporate Human Rights Benchmark, scoring full points in A1.1, A2.1 , A2.2 and B2.2.

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Guidelines for Acceptance for independently certifying subsidiaries with more than US$5billion in annual revenue.

Compliance Criteria:

- Compliance and verification criteria is similar to that for parent companies for human rights policy (see pg. 51).

Scope:

- The independently certifying subsidiary can meet this by having their own human rights policy that applies to the companies within the scope of Certification only, or by following a parent company human rights policy. The independently certifying subsidiary must demonstrate roll out, enforcement and accountability mechanisms to ensure that they are responsible for human rights impacts within their scope of operations. The human rights policy must be easily accessible through the independently certifying subsidiary's own website or dedicated webpage.

Oversight:

- Where the independently certifying subsidiary has their own human rights policy, that must be overseen and approved by the highest governing body within the scope of certification. Where the independently certifying subsidiary follows a parent policy, that policy must also be overseen by the highest governing body at the parent level, e.g. Parent Board of Directors. This could be written in the disclosure statement itself, or in the charter of the highest governing body.

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Process Overview

Process Overview

All parent companies that are over US$5billion in revenue are required to join the B Movement Builder programme as part of their B Corp Certification journey. As part of this programme, companies will undergo a two-step review process to determine whether they are meeting the Baseline Requirements. As stated above, all companies must be meeting the Baseline Requirements at the group level before they are able to complete their B Corp Certification.

All companies that participate in the **B Movement Builder** programme are also required to set aspirational goals and have them approved by the MNC SAC as part of their company-specific actions. While these goals are reviewed in a separate process to the Baseline Requirements, they are held to the same guidelines for acceptance and any prior decisions on the approval of these goals will be considered when reviewing the Baseline Requirement for Material Issue Management.

Independently certifying subsidiaries over US$5billion in revenue are not currently required to participate in the B Movement Builder programme. These companies will undertake the two step review process as part of their Large Enterprise Certification journey. Similar to the parent company, they are required to meet all the Baseline Requirements before being able to complete their B Corp Certification

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Step 1

Baseline Requirement Consultation

Companies will undergo the Baseline Requirement Consultation in either the Public Phase of the B Movement Builder programme or during their Large Enterprise B Corp Certification journey.. During this 6-8 week-long learning opportunity, the company will exchange and discuss information with B Lab's Large Enterprise Team in order to better understand the Company's strategy to meet the Baseline Requirements for B Corp Certification. This initial assessment of a company's performance increases the chances for the company to meet the Baseline Requirements by the time the company undergoes formal review by the MNC SAC. Based off this Consultation, the company will receive a Green, Yellow, or Red Flag rating.

- **Green:** Based on B Lab's analysis, the company seems to currently meet or has shared plans to meet all baseline requirements in the future.
- **Yellow:** Based on B Lab's analysis, current practices and/or plans may or may not meet all of the baseline requirements.
- **Red:** Based on B Lab's analysis, the company is not meeting and has not demonstrated explicit plans to achieve at least one of the baseline requirements.

If a company receives either a Green or Yellow Flag as a result of the Baseline Requirements Consultation, they are eligible to proceed with Formal Review by the Multinational Standards Advisory Council (MNC SAC) *(see Step 2)*. If the company receives a Red Flag, it must implement further steps towards meeting the baseline requirements and meet either a Yellow or Green Flag before being able to proceed with a formal MNC SAC review.

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Process Overview

Step 2

Multinational Standards Advisory Council Approval

Companies may proceed for formal independent review by the MNC SAC once they have received either a Yellow or Green Flag, as an outcome of the Baseline Requirement Consultation Process. B Lab Large Enterprise team will work with the company to create a formal memo that outlines the company actions for each requirement and the Company will also be able to submit a Management Letter that provides additional context (not included in the formal memo). The documents will be reviewed at the next available MNC SAC meeting and members will vote as to whether they agree with the flag ratings presented by B Lab Large Enterprise team.

Where the MNC SAC determines that the company is meeting all of the Baseline Requirements, the company is eligible to complete B Corp Certification at the group level (as long as they are meeting all of the other performance requirements for B Corp Certification). The company will be required to include incremental disclosure on their B Corp profile which outlines how they are meeting each requirement. Where the MNC SAC finds that the company is not meeting all of the Baseline Requirements, they will provide further guidance and feedback to the company on improvement actions that will likely enable them to meet Baseline Requirements for B Corp Certification in the future.

All feedback on the Guidelines is welcome and can be sent to B Lab's Standards Management team at standardsmanagement@bcorporation.net

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Thank you