



B Corp - Is It Right For Your Bank?

business customers strategic planning employees

Summary: A B corporation is a business that's been certified for following best practices in balancing purpose with profit. Is this something your bank should pursue?

The Oxford Dictionary points out that the inventor of the Morse code, Samuel Morse, needed to know which alphabet letters are used the most often. He found the top 7 are E, T, A, I, N, O and S. Curiously, the letter B ranks 20th of 26. We bring this up because some banks are trying to determine whether it makes sense to become a B corporation or not. Sure, you slip down the alphabet from Sam's perspective, but it may still be a worthy option.

A B corporation is a business that's been certified for following best practices in balancing purpose with profit. Once certified, these companies are given a score up to 200, where historically the top score is around 160-170. Some 2,788 companies are certified in 150 industries, including some community banks. By helping to communicate your values to potential employees, customers, and business partners, B corporation status may give some banks a competitive advantage.

B corporation status is a professional certification, not a legal framework, so your bank can become a B corporation while simultaneously maintaining its legal designation as an S or C corporation. Note that B corporations and benefit corporations are sometimes confused. A benefit corporation is a legal framework similar to a C corporation, LLC, or sole proprietorship.

The administrator and guardian of the certification is a non-profit B Lab based in PA. It evaluates candidates based on their performance in five categories: corporate governance, employee treatment, community impact, environmental impact, and customer treatment. With certification, there are also resources to support companies in such strategic goals as including all stakeholder needs and expanding diversity.

Many community banks focus on the needs of the customers and employees around them. As such, you may find that B corporation certification isn't much of a stretch.

Consider comments by a CEO of a DC bank that said, "Our approach to being a community bank was already fully aligned with what B Lab was doing. It's in our DNA to serve our community, particularly low and moderate-income communities".

Even so, getting a B corporation certification does involve substantial documentation. A candidate bank must complete a survey of more than 200 questions and document its survey answers. This is a project that requires time and effort from a variety of people throughout the bank, so be sure to weigh the pros and cons before you start.

We aren't saying this is a panacea, but it is interesting at least. The due diligence gives the designation meaning and also gives banks a way to evaluate themselves in areas that are infamously difficult to measure.

Banks say that putting numbers to the impact they have on the environment, their communities, and their employees gives them a nice framework for managing efforts and improving scores. In so doing, some banks

say these efforts can help attract more investors, employees and customers - especially those that assign a high value to community and sustainability.

While B corporation certification may not be right for every community bank, some have found value with it. As always, regardless of your decision on this, we hope we have given you valuable information before you start your busy day.

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