

ESG legal and advisory approach in Colombia

B Corporation (also B Lab or B Corp) is a certified global category of companies whose objectives are primarily focused on social, economic, and environmental performance. B Corp certification is granted by B Lab, a global non-profit organization based in the United States, Europe, Canada, Australia, and New Zealand, and a partnership in Latin America with Sistema B. The B Lab certification is a third-party standard that requires companies to meet established standards for social sustainability and environmental performance, as well as social responsibility standards. These are companies that voluntarily propose to combine the advantages of their commercial and economic activity with concrete actions to seek the well-being of their workers, contribute to the social equity of the country and contribute to the protection of the environment.

In Colombia, the “equivalent” of B Corporation, is known as BIC companies (*Beneficio e Interés Colectivo*), regulated by law 1901 of 2018 and decree 2046 of 2019. These rules set forth the fundamental requirements for a company to obtain the BIC status, as well as the compliance scores necessary to obtain the qualification and the conditions to maintain it. Within the legal requirements, it is necessary for companies to seek triple performance (social, economic, and environmental) in five (5) dimensions/aspects:

- I. Business practices with the community.
- II. Business practices at environmental level.
- III. Labor practices.
- IV. Business models.
- V. Corporate governance.

Looking to positively impact the market, KPMG Law Colombia has identified that adopting the BIC status enable companies and clients to anticipate and revealed their commitment to sustainability matters. To that aimed, we offer a complete and comprehensive solution for the adoption of the BIC model from two (2) perspectives: **(i)** the legal, and **(ii)** the advisory perspective.

From a legal perspective, KPMG Law analyzes the BIC model in two (2) sections. The first section is an overview of the regulatory framework of the BIC model, including but not limited to law 1901 of 2018, decree 2046 of 2019, the Superintendence of Companies' external letter 100-000007 issued on May 5, 2021, and the Superintendence of Companies' guide to build the BIC companies management report. The second section is a detail description of the benefits of the BIC model and recommendations on how and when to adopt the BIC status tailored to each company.

Our advisory services are focused on **(i)** conducting a diagnosis of the company's current environmental, social and governance (ESG) initiatives and policies aimed at identifying negative and positive impacts in order to understand the related risks and how to manage them, **(ii)** developing a benchmark with companies in the sector to identify best practices in sustainability and ESG issues, **(iii)** identifying the state of maturity and gaps that the company has compared to its peers in the sector, policies on sustainability and ESG issues, and **(vi)** analyzing the materiality, prioritized stakeholders and the company's strategy to align the corporate ESG strategy to these.



It is worth mentioning that certain legal and tax benefits apply to companies and business groups which convert into BIC, beyond the reputational positive effect that brings such status. However, the BIC status is also a very convenient tool for the business community to contribute and continue with the social, economic, and environmentally conscious business wave.

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