

Social Enterprises and B-Corps in Ecuador



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1 Introduction

In recent years, Ecuador has experienced a growing interest in issues related to environmental, social, and governance (ESG) factors. Ecuador became the first country in the world to recognize the inalienable rights of nature in its Constitution in 2008.¹

The Constitution of the Republic of Ecuador recognizes in Article 71:

¹According to Farith Simon (2013), “there are three of these rights (in articles 71 and 72): (1) full respect for its existence; (2) maintenance and regeneration of its life cycles, structure, functions and evolutionary processes; and, (3) the right to restoration, as an autonomous right to which individuals and groups have the right to be compensated in the event of environmental damage.”

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[N]ature or Pacha Mama, where life is reproduced and fulfilled, has the right to have its existence fully respected and the maintenance and regeneration of its vital cycles, structure, functions, and evolutionary processes [...].

Article 10, paragraph 2, of the Constitution establishes that:

Nature will be subject to those rights recognized by the Constitution.

Although this subject is under discussion worldwide, with some perceiving it as a nonsensical novelty and others placing a revolutionary value on it,² it is clear that, overall, the country's legal system has raised awareness of these issues.

In addition to recognizing the rights of nature, the same normative body establishes it in Article 3, Section 5:

[T]hey are primary duties of the State: (...) 5. Planning national development, eradicating poverty, promoting sustainable development, and the equitable redistribution of resources and wealth to access good living

Article 395, Section 1, of the Constitution of the Republic of Ecuador states:

The Constitution recognizes the following environmental principles: 1. The State shall guarantee a sustainable development model that is environmentally balanced and respectful of cultural diversity. The model will conserve biodiversity and the natural regeneration capacity of ecosystems, and ensure the fulfillment of the needs of present and future generations.

Such recognition has sparked a debate in the country regarding sustainable development and the relation of productive systems with society and the environment. In addition to the 2008 Constitution of the Republic, 22 national laws recognize or include the concept of "social responsibility."³ A study carried out by Miguel Saltos (op. cit.) shows that 70% of business leaders have shown a *favorable predisposition* to these innovations. Ecuadorian companies have adopted *corporate social responsibility* (CSR), philanthropy, and shared value, and these innovations have become tools for major transformations related to creating value.

Ecuador took a very important step by recognizing BIC companies as part of its legal system, being one of the few countries that have effectively incorporated these companies into its legislation. Ecuador recognized "Benefit Corporations" in its legal system using an unorthodox legislative strategy. First, it did so through an administrative resolution, called the instructions sheet, on commercial benefit and collective interest companies⁴ (BIC companies), which was issued by the Superintendency of Companies, Securities, and Insurance (SCSI). This Resolution is a fully

²Likewise, Farith Simon comments, "the constitutional recognition of Nature as a legal entity has aroused more than enthusiastic adherence in the legal world. However, the favorable reaction is not unanimous. Several voices consider this as a statement with more of a rhetorical, than a true practical, impact, as its effect is potentially less than that which would be achieved by improving environmental protection standards." Ibidem.

³See Saltos Orrala and Velázquez Ávila (2019, p. 4).

⁴Instructions on Benefit and Collective Interest companies; Resolution No. SCVS-INC-DNCDN-2019-0021, December 6, 2019, published in Official Gazette No. 107, December 24, 2019.

valid administrative act issued by the highest-ranked entity that controls and regulates companies in the country. It recognizes five areas: governance, environment, workers, customers, and community, in which companies could adapt their statuses to achieve positive material impacts. This is legally feasible as the Resolution did not create a new category for which a legal reform through legislative power is needed. Thus, any company, either a limited liability company (LLC) or a corporation could adopt this category and maintain its societal structure. The efforts of local lawyer that led this process bet on a practical solution rather than the traditional process of creating a new bill on a subject that is not properly understood. As such, the SCSI issued an *erga omnes*⁵ norm that expressly recognized BIC corporations and installed the concept in the business and legal ecosystem, aiming to create a larger and more mature leading coalition to advocate for the concept. The Resolution created a legal possibility for any company to adopt this BIC status.⁶

In January 2022, the legislature approved the first Entrepreneurship and Innovation Law. Its provisions included an amendment to the Corporation Act, which includes a chapter that expressly recognizes BIC corporations. Ecuador acknowledges BIC corporations, both in the instructions sheet and in the Law. Through its regulatory recognition, Ecuador became the fourth country in the world to join the list of nations that recognize this specific type of corporation.

As part of a bigger system change, this process was powered by Sistema B Ecuador, a local part of a movement that serves people using business as a force for good. There are 21 certified B Corps:⁷

A mini-market for organic products; a dairy company; a brand of chocolates that sells in about 30 countries; an incubator and accelerator of social enterprises; and a family farm that sells eggs, strawberries, avocados, spinach, and other foods grown and harvested without chemicals, fertilizers or additives.⁸

Certified B Corps and BIC corporations are building a solid local movement of purpose-driven businesses that aim to solve specific social and environmental problems and prioritize impact assessments, stakeholder governance, and transparency.

⁵It is important to consider that the jurisdiction of the Superintendency of Companies, Securities, and Insurance (SCSI) is limited to the companies it controls. In other words, the *erga omnes* character has general applications for all active and inactive companies in Ecuador.

⁶Entrepreneurship and Innovation Law.

⁷The certification process is different from that of company incorporation. As of the date on this note, written on (09/16/2020), the SCSI registers 73 companies constituted under this framework, which, according to our regulations, must be subsequently certified during this step.

⁸Information obtained from the following link: <https://www.revistalideres.ec/lideres/empresas-evolucion-enfoque-negocios-sostenibilidad.html>.

2 Current Reality of Companies in Ecuador

Ecuador closed 2019 with 91,370 active companies, according to the data from the SCSI. According to official data, the majority of companies in the great universe of companies incorporated in Ecuador are micro-, small, or medium-sized companies (MSMEs). In Ecuador, during the fiscal year 2018,⁹ 35,226 microenterprises were reported (companies with one to nine workers or with an income less than \$100,000.00). This amount represents 56% of the companies reported within that fiscal year. Small companies (having 10 to 49 workers or with income between \$100,001.00 and \$1,000,000.00) comprised 29.2% of the total number of companies reported in the same year. With regard to medium-sized companies (having 50 to 199 workers or with a reported income between \$1,000,001.00 and \$ 5,000,000.00), the number rose to 6551, representing 10.4% of the companies reported in 2018.

The universe of MSMEs represents 95.6% of active mercantile companies reported in Ecuador during the 2018 fiscal year, compared to a mere 4.4% of large companies. This corporate reality in Ecuador shows that the overwhelming majority of companies that boost the country's business economy are family companies or small and medium-sized enterprises (SMEs).

3 *Sistema B* in the Equator

In 2014, when *Sistema B* was not yet established as an institution, two companies in Ecuador achieved the certified B Corp status: *Impaqto* and *Coinnovar*. These companies operate in the service industry, focusing on the social and impact ecosystems, and promoted the creation of an advocacy group for the B Corp certification of more local companies. By 2015, two more companies, including *Pacari*, received certification. In August 2018, *Sistema B Ecuador* (SBEC) acquired its legal status and was formally institutionalized under Ecuadorian laws, becoming a nonprofit institution. *Sistema B Corporation* was founded by Yolanda Kakabadse, Sandra Reed, María Auxiliadora Villacrés, Santiago Ribadeneira, and José Ignacio Morejón. To date, its governance model is composed of an administration committee comprising nine members, who act as the board of directors, and an executive directorate with an executive and operational team. The SBEC approach is an ecosystem-based movement to transform Ecuadorian corporate law, advocating for stakeholder governance and transparency.

⁹NdelA: the companies provide statistical data related to economic factors during their annual presentation of information. This obligation to the SCSI should be complied with by April of the following year (in this case, the information for 2019 must be submitted in April 2020). At the time of preparation of this article, and due to the publication of the book, we do not have updated information. However, we estimate that the statistical information does not differ much from that of 2018.

4 Raising Awareness and Preparing the Groundwork in Ecuador

The purpose of Sistema B Ecuador is *to promote and facilitate the creation of the necessary conditions so that more and more B Corps and for profit entities with a purpose are constituted and developed. This would generate the positive material impact which results from their business models in the country, while serving a movement of people using business as a force for good.*¹⁰ In this context—while understanding the importance of preparing the national legal framework, even before the formal constitution of the Corporation—the advocacy group of Sistema B Ecuador organized the First Conference on Legal Innovation in Ecuador at University San Francisco de Quito in March 2018. This entailed two days of keynote conferences, in which more than 68 local lawyers received training on issues related to B Corp certification and BIC corporations for the first time. It was a collaborative project in which the authors of this chapter participated as speakers and trainers, along with local lawyers, in collaboration with William Clark and Pérez, Bustamante y Ponce, the biggest and one of the most respected law firms in the country. In addition, several regional icons of environmental law, led by Kakabadse, were added, including Pedro Tarak, Jorge Caillaux, Manuel Pulgar Vidal, Rafael Asenjo, and Juan Dumas, among others. This conference catalyzed the academic and professional formation of a community of lawyers that would later design, advocate, and join efforts to achieve the recognition of BIC companies in the country.

It is important to emphasize the collaborative dynamics that existed among conference speakers to generate academic content for a topic that had never been discussed before at a technical level in Ecuador. The content originated from existing public materials generated by Academia B and Derecho Innova: specifically, a booklet titled “Launching Sistema B.” Modules were then presented to address specific subjects, led by specialists from Pérez Bustamante y Ponce law firm. Thereafter, a Q & A section was included in the agenda, in which participants raised initial key questions that would later strengthen the strategy. These questions include the following: what would be the legal and corporate implication of BIC Corps’ recognition in Ecuadorian law? What effect would this recognition have on the current labor, tax, corporate, environmental, and investment law? What differentiates certified B Corps from BIC Corps? When should an enterprise become a certified B Corp or a BIC Corp?

From this first training and awareness effort, *Sistema B* Ecuador continued its campaign to position the concept in different business and public forums. Simultaneously, the SCSI team prepared the instructive for the recognition of BIC Corps and presented a draft of the BIC Law at the Economic Commission of the National Assembly for debate. Both texts have the same basis and content with very few variations. The text that incorporated a chapter in the Companies Law was later

¹⁰Information was obtained from the following link: <https://www.sistemab.org/sobre/>.

included in the Entrepreneurship and Innovation bill project, which was finally approved in January 2022. Both legal texts now set the mandatory compliance standard for BIC Corps in the country.

5 The Current Situation

To date, there are 21 certified and four pending B Corps, comprising companies from five provinces in the national territory and from 11 different industries, reaching more than 1200 workers and with more than 5000 suppliers (including 1800 small suppliers from vulnerable populations) and ranging from small businesses to large companies. Since the BIC legal framework was enforced, more than 750 BIC companies have been registered.

Popular interest in types of companies that prioritize a sense of purpose is increasing as their relevance goes beyond certification or differentiation in the market tied to a marketing strategy. The real relevance of BIC or certified B Corps is related to the social and environmental situation in a country. As observed, the range is so wide that it extends from the conceptual recognition of the importance of interdependence in the Ecuadorian political constitution between people and the planet to the clearly perceived positive effects that rigorous stakeholder governance had during the social turmoil during the October 2019 demonstrations¹¹ and the COVID-19 pandemic. The need to rethink the role of companies as agents for change in society and the socioeconomic system is increasingly evident as an easy-to-understand message in the Ecuadorian corporate ecosystem. Today, the concept of companies, whether multinational, familial, or local, implementing tools, adopting legal frameworks, and addressing governance and transparency is perceived by many as a must. It enables proper management to impact people and the planet, while leading successful business models and going beyond traditional compliance indicators, like the number of jobs created and the payment of taxes, to alleviate poverty and regenerate ecosystems, among other impacts of business models.

¹¹ However, despite the companies in the country having difficulties in developing their activities, there was no impact on the B Companies. Interestingly, workers defended their workplaces against the possibility of vandalism, and others walked up to 5 hours to reach their workplaces. Suppliers did not fail to deliver products, and they were all committed to defending the companies. These measurements were among the certified companies, and, in all of them, the trend was the same.

In October 2019, a revolt led by social and indigenous movements took place in Ecuador. The protests, against the decision of the National Government to withdraw gasoline subsidies, paralyzed the country. Owing to the National Strike that lasted about two weeks, products could hardly be supplied to cities and companies regularly. At the national level, there was looting, closing of commercial premises, seizing of industries, and difficulty for workers to access their workplaces, etc. However, despite companies in the country experiencing losses while trying to develop their activities, there was no impact on B-Companies.

The local Movement B is now thriving locally as it is made up of not only certified B Corps but also other economic players from the private sector, such as BIC Corps, the government, the SCSI, the executive function through the Vice Presidency of the Republic, and SERCOP (National Public Procurement Service). All these institutions and organizations use and encourage the adoption of standards and tools, such as the *B Impact Assessment*, to diagnose the generation of impacts, positive business models, and commercial activities that are good for people, the planet, and profit. Now a strong group of for-profit entities manages these impacts and identifies gaps and opportunities for improvement in an ESG framework.

The greatest challenge will likely be converting these concepts into specific incentives in order to transform companies that bet not only on the intention to be moved by purpose but also on a binding commitment to evaluate their social and environmental performance at a statutory level. They move toward continuous improvement by incorporating triple impacts and key performance indicators (KPIs) and/or an integral approach, with which they measure the success of their management.

Ecuador currently has two regulations that are of different hierarchies but of great importance, which seek to promote business sustainability by generating a social purpose that extends beyond maximizing the operating profits of companies.

6 Current Regulations: A Two-Way Play

To ensure the adoption of a regulation that addresses this type of company, Ecuador aimed at two different regulatory objectives: (i) administrative resolution and (ii) law.

On the one hand, the SCSI approved the instructions sheet for the commercial companies of benefit and collective interest (BIC companies) through a valid administrative act issued on December 6, 2019. This act's normative force is recognized in the Constitution and in the Ecuadorian legal system. On the other hand, work was done so that the Entrepreneurship and Innovation Law would incorporate a reform to the Companies Law, which recognizes BIC companies. Every law has its regulations, and the Superintendency is regulated through administrative resolutions. Therefore, they are not incompatible but complementary norms. Both regulations are valid, legal, and legitimate, and they recognize benefit and collective interest companies (B companies) and benefit and collective interest mercantile companies (BIC companies) as options for entrepreneurs with a conscience.

6.1 Instruction Sheet on Commercial Benefit and Collective Interest Corporations (BICs)

The SCSI is a technical body for the supervision, auditing, intervention, and control of economic, social, and environmental activities and of the services provided by public and private entities, with the purpose that these activities and services be subject to the legal system and serve the general interest.

While exercising its corporate control attributions, the Companies Law details the powers of the Superintendency to promote the necessary tools to develop, on the one hand, the profit motive of commercial companies and, on the other, the sustainable and inclusive development that a BIC Corp should observe, complying with governance, social, and environmental standards.

To this end, Article 433 of the Companies Act empowers the Superintendent of Companies, Securities, and Insurance to issue regulations and resolutions it deems necessary for the good governance, supervision, and control of companies. This is complemented by Article 438, literal b), of the same Law, which states that it is the responsibility of the Superintendent of Companies, Securities, and Insurance to issue the necessary regulations for the operation of an institution, in addition to the rules necessary for the application of the Law to companies legally constituted and subject to its control.

This power to issue secondary regulations (*erga omnes*) on issues related to the powers established in the Law described above is detailed in the Constitution of the Republic and in the Companies Law:

Constitution of the Republic of Ecuador: Art. 425: The hierarchical order of application of the norms will be as follows: The Constitution; international treaties and conventions; organic laws; ordinary laws; regional regulations and district ordinances; decrees and regulations; ordinances; agreements and resolutions; and the other acts and decisions of the public powers. In case of conflict between norms of different hierarchies, the Constitutional Court, judges, administrative authorities and servants, and public servants, will resolve it by applying the higher hierarchical norm. The normative hierarchy will consider, where appropriate, the principle of competence, especially the ownership of the exclusive powers of the decentralized autonomous governments.

In addition, the same Companies Law establishes that this Superintendency will regulate its application.

As explained, the SCSI has full power and ability to issue this type of regulation. This is one of the most important powers of the Control Body since it establishes the guidelines for companies to develop their business activity in accordance with local legislation.

This type of rule is issued through an administrative act. As such, parliamentary debate or votes are not needed for its approval, as the process of law requires. The technical criterion of the supervisory authority is enough to issue a regulation for which it is fully competent. This can be replicated this way in other jurisdictions with control entity or administrative authority that has similar powers and characteristics.

Even if the reform to the Companies Act had not been approved, this Instruction has the same scope of competence as the Law. That is, the Companies Law regulates the 91,370 active companies in the country, which could become BIC companies, according to the Law. However, the Instructions regulate the same number of companies as these are under the control of the SCSI.

6.2 *BIC Law*

Article 281, Section 5, of the Constitution of the Republic of Ecuador determines that the state will be responsible for, among other policies, “establishing preferential financing mechanisms for small and medium producers, thus it facilitates the acquisition of means of production.” Article 284, Section 2, of the aforementioned supreme rule indicates that the economic policy will have, among others, the objective of “encouraging national production, systemic productivity, and competitiveness; the accumulation of scientific and technological knowledge; strategic insertion in the world economy; and complementary productive activities in regional integration.” Under this constitutional order, it should be specified that the Entrepreneurship and Innovation Law establishes a regulatory framework that encourages “the creation, development, growth, and expansion of entrepreneurship projects at the national level,”¹² seeking, among other purposes, “to promote the formalization of entrepreneurs and increasing their production and capitalization.”¹³ Under the need to promote entrepreneurship at the national level and improve economic integration, the Entrepreneurship and Innovation Law included a new section in the Companies Law recognizing companies with benefits and collective interests.

This reform to the Companies Law, included in the Entrepreneurship and Innovation Law, complements and elevates, to the rank of law, what the Instructions issued by the SCSI previously issued, reinforcing the intention of regulating the mechanisms that companies have to generate that impact locally.

6.3 *Content of Both Standards*

Ecuador has been receptive to this type of initiative, and B lawyers have been working on this project since 2018. For this reason, the first draft of the BIC Company Recognition Instructions project was prepared and presented to the Superintendent of Companies in September 2018. This document, initially prepared by Esteban Ortiz, Paul Noboa, Gabriela Cruz, and José Ignacio Morejón, was based on

¹²Entrepreneurship and Innovation Law, article 1.

¹³Entrepreneurship and Innovation Law, article 2, literal k.

the North American legislation that was later *adapted*¹⁴ until a norm with international standards suitable for the needs and normative characteristics of the country was obtained.

The content of the regulations of Instructions was discussed within the Superintendency of Companies throughout 2019 through presentations to the authorities and internal work on regulatory purification. On December 6, 2019, the Superintendent of Companies, Securities, and Insurance and Víctor Anchundia Places signed the first standard that recognized BIC companies in the country.

In parallel, the Quito Companies Administration and the Economic Commission in charge of discussing the draft Law on Entrepreneurship and Innovation worked on the text of what would be the chapter that reforms the Companies Law. This reform included two extremely important chapters: the Simplified Stock Company (SAS) and the Collective Benefit and Interest Company (BIC Company). The same team prepared both texts; therefore, if the texts in the Instructions and the Law are compared to date, there are almost no differences.

6.3.1 Characteristics to Be a BIC Company

One of the most important characteristics included in the Ecuadorian regulations has to do with the imperative that to be a BIC company, a company must modify its statute and consider positive material, social, and environmental impacts as a contractual obligation that must be fulfilled by the administrators.

To adopt a BIC society status, and thus develop operational activities to benefit partners or shareholders' interests and become obliged to generate a positive material impact while pursuing the interest of society and the environment, companies controlled by the SCSL must resolve this through the general assembly of shareholders, with a majority representing at least two-thirds of the company's capital.

According to Ecuadorian Company's Law, the company's corporate purpose must be reformed and at least incorporate in the statute specific activities through which these companies will comply with the obligation to generate positive social or environmental impacts. To be valid, this statutory reform must comply with the formalities established in the Law for any corporate act. These positive material impacts will be measurable, verifiable, and evaluated in accordance with international standards and established based on the Ecuadorian standard.

The standard clause adopted by all certified B Corps and BICs reads as follows:

Its purpose, which should seek a positive material impact on society and the environment, considered as a whole (which will be evaluated taking into consideration the standards of an

¹⁴Neologism refers, in this case, to the adaptation of the imported norms to the local regulations in order to (i) maintain sense and context based on our legal system; (ii) that can be applied; (iii) that adapt to the rest of the legal system; and, (iv) that add the necessary rules that our system requires for its validity. In addition, in this process, contributions are made to improve the standard or its context.

independent third party specialized in the matter), is [a single economic activity, which may include all stages of production and marketing of said activity].

However, in addition to reforming the statute related to a company's corporate purpose, it is also essential to reform it in order to expand the fiduciary duty of administrators concerning stakeholder governance since to achieve the objectives incorporated in the object, they must ensure compliance with the activities provided for in the statute, in one or more areas.

6.3.2 Expansion of the Fiduciary Duty of Administrators and Judicial Requirement of the Duty of Due Consideration

The expansion of the fiduciary duty is of utmost importance to prevent distracting the administrator or legal representative of a company from their obligation to generate the positive material impact established in the statute.

When carrying out or executing any activity related to the obligation to create a positive material impact on society and the environment, the administrators, managers, and directors of a BIC company must consider the effects of their actions or omissions on the following:

1. Partners or shareholders
2. Workforce and, more specifically, workers, its subsidiaries, and its suppliers
3. Clients and consumers
4. Community
5. Local and global environment
6. Company's performance in the short, medium, and long term; and
7. Ability to fulfill its corporate purpose

The liability action against administrators who breach the obligation to create a positive material impact on society and the environment will be brought by the company that has a prior agreement with the general assembly of shareholders, in accordance with Article 272 of the Companies Act.

As stated, the statute must also be modified, or a specific clause must be incorporated that establishes the regulatory powers of the administrator. The standard clause that all certified B corporations are suggested to incorporate into their by-laws reads as follows:

In the performance of its powers, the legal representative must take into account in any decision or action, the effects of said decision or action with respect to: (i) the [shareholders / partners]; (ii) the workers and workforce of the company, its subsidiaries and its suppliers; (iii) the clients and consumers of the company; (iv) the community; (v) the local and global environment; (vi) the performance of the company in the short and long term; and (vii) the company's ability to fulfill its corporate purpose.

6.3.3 Impact Management Reporting by Independent Standards

The legal representative of a BIC Corp must, while choosing the most appropriate standards, annually prepare a management impact report, giving an account of the activities carried out to comply with the obligation to create a positive material impact on society and the environment. This report must be written by an independent and specialized entity in the corresponding fields and presented to the general assembly of shareholders for its knowledge and approval.

This report is to be prepared under independent, internationally recognized standards, such as the following:

- Those recognized in the B Impact Assessment
- GRI
- ISO 2600
- SDG COMPASS
- WBSG
- AA100 (Relationship, RS de Accountability)

Although these standards are established in the regulations as a reference, this is not an exhaustive classification. Companies may choose to use any reference to prepare their annual report, as long as they have international recognition.

The independent standard for the preparation of the management impact report may be subject to audit by competent authorities and must observe at least some or all of the following characteristics:

- (a) **Understandability:** the reports will provide complete and clear information on the activity carried out to fulfill the obligation to generate a positive impact on society and the environment. The evaluation and reporting methodology must analyze the effects of the said activity.
- (b) **Independence:** the evaluation and reporting methodology must be developed by an entity that is not controlled by the BIC Corp or its parent companies or subsidiaries. The evaluation must be carried out by an entity that does not maintain contractual ties, or at the level of ownership, management, credit responsibility, or results with the BIC Corp.
- (c) **Reliability:** positive material impacts mentioned in the reports will be measured, verified, and evaluated by an entity that has experience in evaluating the impact of the companies' activity on the community and the environment and will use methodologies that include an examination from different perspectives, actors, standards, and indicators.
- (d) **Transparency:** the information of the independent evaluation standards will be made known to the public as they must be uploaded to the BIC Corp website and considered by the control authority.

6.3.4 Areas of Material Positive Impact

The obligation to create a positive material impact on society and the environment may cover one or more of the following areas of impact: governance, workers, community, customers, and the environment. Consequently, the administrators of a BIC must ensure compliance with the activities provided for in the statute, in one or more said areas, to achieve the specific objectives incorporated in its corporate purpose.

Governance

The area of impact on governance is related to the corporate governance of companies. For such purposes, the administrators of a society of benefit and collective interest may consider, among others, the following aspects:

1. The interests of the company and its partners or shareholders
2. The short-, medium- and long-term consequences of decisions related to the operational activity of the company they represent
3. The maintenance and protection of the reputation of the company
4. The need to treat fairly and equitably all partners or shareholders; and
5. The expansion of the diversity of the administrative and supervisory composition of the company

Workers

The area of impact on working capital will allow the administrators of a BIC company to consider the interests of their workers and, among others, the following aspects:

1. The establishment of a reasonable remuneration to analyze salary gaps and establish equitable standards in the perception of remuneration
2. The establishment of subsidies to train and professionally develop their working capital
3. To promote the participation of workers in the company, either through the acquisition of shares or participations, or their intervention in the administrative bodies of the company
4. To determine flexibility alternatives for workers' working hours, teleworking, or others, without affecting their remuneration
5. To disseminate, among its workers, the financial statements of the company

Community

The community impact area will allow administrators to consider, among others, the following aspects:

1. The need to foster social relations with the company's creditors, suppliers, and clients
2. The impact of social operations on the community
3. The effect of the operations of the company and its subsidiaries, if any, on the local, regional, national, and even international economy
4. The incentive for volunteer activities and the creation of alliances with foundations that support social works in the interest of the community, as part of its social responsibility policy
5. The focus of priority on the contracting of services or the acquisition of goods of local origin or that belong to enterprises developed by women or ethnic minorities

Customers

The customer impact area will allow administrators to address a social or environmental problem through, or for, their customers, considering, among other things, the following:

1. Provision of electricity or products that provide electricity, potable water, affordable housing, and other infrastructure
2. Products or services that allow people to focus on income-generating activities, such as computer software, financial tool, mobile technology, or services that optimize/enhance business activities;
3. Products or services that improve the delivery of health services, health outcomes, and healthy living, such as medications and preventive health services
4. Products and services that have an educational focus, such as schools, textbooks, media, and independent arts, or that preserve the local culture, such as artisan crafts
5. Business products or services that have a commercial mission focused on having a positive social impact

Environment

Among others, the area of impact on the environment will allow the administrators of a benefit and collective interest company to consider the following:

1. Respect for the rights of nature, enshrined in the Constitution of the Republic
2. The impact of its operations on the environment
3. The supervision of greenhouse gas emissions
4. The promotion of recycling or waste reuse programs

5. The increase in the use of renewable energy sources and the implementation of energy efficiency measures

7 Conclusion

Owing to this regulatory recognition, Ecuador became the fourth country in the world to recognize benefit and collective interest societies in its legislation. However, at the administrative act level, it is the first in the world to innovate with this tool, which may be useful for other countries that have difficulties approving it in the legislative chamber. This way, these types of companies will be recognized through secondary regulations.

While it is true that this mechanism worked well in Ecuador, we believe that it may also work in countries with similar systems.

Regarding the business aspects, there is a long way to go; however, these types of concepts are well received by the community, and more companies are seeking to generate positive material impacts. Currently, we have approved a very useful regulation that will allow BIC Corps to take possession as companies that use the power of the market to solve social and environmental problems and earn money.

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