

Fostering effective sustainability governance through standards - a comparative analysis of B Corp and ISO14001 certification schemes

Master's Thesis – master Sustainable Development
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Abstract

Sustainability Certification Schemes (SCS) has evolved in the past decades as a dominant and transformative form of social and environmental governance. Especially adopted by private companies, hundreds of SCS have been developed to address a multitude of sustainability-related issues as a result of contemporary economic and industrial activities. As SCS have been found useful tools to both address sustainability issues by companies while demonstrating the efforts made to address them, this has created a worrying trend of proliferation, leading to many duplications and race to the bottom. Following this concerns, this research aims to assist academics and practitioners to navigate between more desirable SCS with the aim of advancing sustainable development. Specifically, the research aims to understand the condition of which SCS are deemed more effective in fostering sustainability governance amongst companies. The methodology of this study started by performing an extensive literature review on the theoretical effective governance of SCS. The relevant literature has been captured into a theoretical framework for evaluating these conditions for effective governance. The framework contains the following conditions: 1) Sustainability dimensions, 2) Stringency of the standards, 3) Quality of the audit, 4) Accountability and Transparency, 5) Stakeholder participation and decision-making procedures, 6) Distributive equity, 7) Uptake. The framework has been applied on non-industry specific SCS, referring to standards that can be adopted by all types of companies. Two different but comparable cases have been chosen for this comparative study. The B Corp standard and ISO 14001:2015 Environmental Management System (EMS). The findings show inconclusive results in terms of effectiveness. Both cases present generally high qualitative score for effectiveness. Especially ISO 14001:2015 performs well in terms of its rigour of its requirements and

audits, with high transparency and accountability, and superior uptake. Both cases show high performance for addressing high-quality decision-making. In terms of notable shortcoming, both cases seem to not address the distribution of costs and benefits of stakeholders. Finally, ISO 14001 is limited in its scope as it only addressed environmental-sustainability. Important findings reveal the importance of interlinkages and trade-offs between the standard, which have been discussed shortly. Future research addressing the complexity of interactions between conditions for effective governance will be valuable contribution to this field of research. Finally, there is a growing need to better understanding non-industry specific standards, such as two cases, as viable game changers in sustainability governance and their role accelerating sustainable market transformation.

Keywords: Effective Institutional Governance, Sustainable Development, Conditions for Effective Governance, Good-governance Principles, Sustainability Standards, Certification Schemes.

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Glossary: Concepts and definitions

Adopting entity - refers to the company or organisation that is undertaking the process of being certified. It applies for all phases of the certification process.

Audit – an impartial verification procedure which aims to verify that the adopting entity is complying with the standard’s requirements. The audit can be conducted on one or multiple requirements at a time.

Certification – Defined in this thesis is as an issued proof for complying with the standard’s requirements. This can take various visual forms such as a physical or digital stamp or label. This term is often found interchangeably mixed with the word ‘standard’ or ‘scheme’. A ‘certification process’ refers to the process of following through the standard’s requirement. e.g., the adopting entity is following through the certification process in order to become certified.

Certified entity - refers to the company or organisation that have been acknowledged eligibility to obtain the certification as a result of meeting the standard’s requirements.

Sustainability certification scheme (SCS) - can also be referred to as the ‘standard’ or the ‘norm’ (for ISO standards), or just ‘scheme’. The SCS contains a list of requirements that are to be complied with by an adopting entity in order for it to be eligible for its respective certification (i.e., stamp or proof of implementing the standard’s requirements).

Sustainability certification scheme (SCS) organisation - In this thesis, referring to the refers to the organisation that develops the sustainability standard organisation which has developed or that is referred to as the ‘SCS organisation’.

1. Introduction

1.1. Problem description

The past decades have bared witness to multitude of societal and environmental negative effects resulting from unsustainable practices of global industrial production and economic activities (Troster & Hiete, 2018). These negative effects range greatly, to name a few, they include deterioration of natural habitats, loss of animal and plant species, spread of pollution on land, air, and water sources, alongside exacerbating multitude of societal issues such as intensifying socio-economic gaps or prompting poverty in some regions of the world (Bocken & Short, 2021).

These negative effects have raised societal concerns to what is known as the global sustainability challenges, a topic that is continually addressed by the United Nations (UN) as one of the greatest challenges of our time. The UN has emphasised the dire necessity to address such challenges through advancing Sustainable Development (SD) (Fonseca et al., 2021). Nations attempt to address sustainable development using regulatory approaches in the forms of international agreements or through national legislations (Troster & Hiete, 2018). Although involvement of the public sector is crucial for addressing sustainability challenges, measures were insufficient and demand wider participation from the private sector (Mena et al., 2012; Marx, 2013).

Concerning the private sector, the past decades has seen mounting involvement of private companies addressing SD through the voluntary adoption of *Sustainability Certification Schemes (SCS)*, also referred to as sustainability *standards* (Fonseca et al., 2021; Lambin & Thorlakson, 2018). Companies that are actively implementing the requirements prescribed by SCS are expected to implement reformed processes in their operations or reshape their business models to involve more ethical, social, and environmental considerations, alongside economic ones (Villela, Bulgacov, & Morgan, 2021; Boeger, & Villiers, 2018; Joyner, & Payne 2002).

SCS have been useful in providing a novel approach to deal with sustainability challenges, where companies actively seek to improve their sustainability performance. This approach of SCS has been complementary to the traditional form of governance approach, whereby companies were abiding solely to governmental regulations and legal obligations (Junior et al., 2016).

Although SCS are voluntary in nature, they have shown to serve as powerful tools for guiding companies in addressing sustainability challenges associated with their activities, implement their sustainability commitments, and report on their performance by obtaining a certification (Barry et al., 2012; Campbell 2006; Dietz et al., 2022; Junior et al., 2016; Marin-Burgos et al., 2015; Troster & Hiete, 2018; van der Ven, 2022; Waide, & Bernasconi-Osterwalder, 2008).

The voluntary adoption of SCS by companies comes from different reasons, but a significant motivator stems from increasing societal pressure on companies to demonstrate that they are addressing the negative effects related to their activities (Diez-Busto, Sanchez-Ruiz, & Fernandez-Laviada, 2021; Junior, Franks, & Ali, 2016; Lambin & Thorlakson, 2018).

Adoption of SCS also comes with some desired benefits and strategic relevance for the companies themselves by promoting their own competitiveness in the market (Kim, 2021). Some desired benefits include saving costs and improving efficiency of operations, raise interest of new investors, increase synergies in the supply chain, and attract recruitment and retaining of talented employees (Busco et al., 2017).

Although SCS are relatively new, recent years have shown a surge of SCS proliferation worldwide (Reinecke et al., 2012; Blackman and Rivera, 2011; Young et al., 2010; Derkx and Glasbergen, 2014; Manning et al., 2012). To date, there are over 450 active SCS worldwide (Gehman et al., 2019).

There are many different forms of SCS, looking at different scopes, some that address specific products or services, whereas some are non-industry specific, hence applying for all types of companies (Junior et al., 2016).

With regards to the proliferation of SCS, it can promote healthy competition between standards, prompting a race to the top with various improvements leading to better sustainability performance amongst certified companies (Lambin & Thorlakson, 2018). On the other hand, such fast emergence of SCS result in increasing amounts of duplications and overlapping schemes, leading to undesirable effects such as market confusion, increasing costs for certifications, easing of greenwashing through deceptive use of data, and more (Junior, Franks, & Ali, 2016; Lambin & Thorlakson, 2018). Moreover, such duplications present an uncoordinated presence of competing schemes, resulting in fragmented governing systems, often leading to a race to the bottom in terms of weakening the standard's ability to actually promote positive sustainability-related changes amongst companies (Derkx and Glasbergen, 2014; Lambin & Thorlakson, 2018).

Due to growing numbers of weaker SCS with evidence to leading negative sustainability outcomes, this has prompted a debate with regards to their future prospects (Bray, & Neilson, 2017; Dietz et al., 2022; Sellare et al., 2020). More specifically, concerns have created a debate with regards to the *effectiveness* of SCS in driving companies to improve their sustainability performance necessary to adequately deal with the pressing global sustainability challenges (Dietz et al., 2022).

Authors have called for the importance of better understanding this domain by investigating key components shaped by the SCS organisations themselves, looking at the institutional design and characteristics of SCS in effectively fostering positive sustainability governance amongst the companies adopting their respective SCS (Junior, Franks, & Ali, 2016). Such institutional design and characteristics are referred in this Thesis as *conditions for effective governance*.

In order to test such conditions, a theoretical framework has been developed, and will be applied and later compared and analysed with accordance to two specific case studies. The selected case studies are the B Corp standard and ISO 14001:2015 Environmental management system, which will be elaborated in the theoretical background.

Both standards are deemed as comparable and provide a mechanism for fostering sustainability amongst companies of different scales, sectors, and industries, hence are also not industry-specific. Yet, they show quite some distinctions. B Corp is stated to be under researched and of high potential,

while still it has a significantly lower global reach in comparison to ISO 14001:2015 (Fonseca et al., 2021). This thesis will examine these two SCS with regards to their potential for effectively fostering sustainability governance through their certification requirements. The thesis will investigate certain underlying conditions (ingrained in the certification scheme's processes) which in theory may steer sustainable governance more effectively amongst companies (i.e., companies) which choose to become certified, and referred to as *adopting entities*.

In order to address the problems raised in this Thesis, the guiding research question is the following:

To what extent are B Corp and ISO 14001 certification schemes fostering conditions for effective sustainability governance amongst companies?

1.2. Scientific relevance

Scientific literature on the effectiveness of SCS has already been considerably researched, yet important gaps remain.

First, the majority of this literature on effectiveness of SCS focuses on specific certified products such as wood (e.g., Auld et al., 2008), coffee (e.g., Dietz et al., 2019), marine products (e.g., Kalfagianni, & Pattberg, 2013), palm oil (e.g., Morgans et al., 2018), and more. Little research has been conducted on non-industry specific schemes, and the cross-sectoral and transdisciplinary underlying factors which shape various dimensions of SCS effectiveness (Tröster & Hiete, 2018).

Second, there were no literature reviews which synthesised challenges, flaws, and improvement opportunities of SCS, hence, presenting a limited scientific understanding of components affecting the effectiveness of such schemes, and ways to improve them (Junior, Franks, & Ali, 2016).

Third, scholars addressed that SCS often have too much of a narrow focus on sustainability dimensions. Research is mostly focused on either the economic or environmental implications of SCS, and less concerning socio-economic or social aspects (Vanderhaegen et al., 2018).

For instance, in SCS research for some specific sectors (e.g., marine industry) have an overwhelming focus on the environmental-sustainability dimension, disregarding social and economic structures which are often crucial for the acceptance and success of applying the SCS. Especially with social-sustainability dimensions, there is limited empirical work and knowledge on how it can be measured and operationalised (Amundsen & Osmundsen, 2020).

This thesis will attempt to address these mentioned knowledge gaps. First, by developing and testing a framework adapted for non-industry specific SCS.

Second, by deepening the knowledge on the underlying conditions of effectiveness, and providing findings on both challenges and opportunities of such schemes in fostering sustainability.

Third, the research will address a more holistic view on sustainability dimensions, by providing an analytical contribution to social-sustainability conditions for SCS. This will be done by examining research-based conceptual categories with an attempt to operationalise them.

Moreover, this Thesis will attempt to fill knowledge gaps that are specific to the case studies.

Starting with the B Corp standard and its movement, scholar identified it to be under-studied although it has been recognised as an “incipient field with great potential”. Moreover, they particularly expressed the need for better understanding how B Corp certified companies contribute to advancing sustainability (Diez-Busto et al., 2021). Although the scope of this thesis does not investigate the certified companies themselves, looking at the theoretical potential SCS has in fostering sustainability amongst companies could contribute to the scientific literature of this emerging field.

With regards to ISO 14001, already two decades ago, numerous papers raised concerns about its effectiveness as a governance mechanism, expressing that certified companies did not result in improved environmental performance compared to non-certified companies (Andrews et al., 2003; Darnall & Sides, 2008; King et al., 2005; Melnyk, Sroufe, & Calantone, 2003; Potoski & Prakash, 2005b). Similar problems persisted over more than a decade later, whereby scholars expressed the need to deepen the understanding of the conditions under which ISO 14001 can promote environmental performance (Fonseca, 2015).

Concerning both these standards, little research has been conducted on the comparison between the two, although the relevance of ISO 14001 as the most widely adopted environmental standard, and the emerging nature of the B Corp standard (Fonseca et al., 2021). Finally, to the best of our knowledge to date, this thesis is the first comparative research on the potential effectiveness of non-industry specific sustainability standards in general, and on ISO 14001:2015 and B Corp standards specifically.

1.3. Societal relevance

The main societal relevance that this Thesis aims to contribute to follows the concerns of scholars, policymakers, and practitioners alike. Their concerns seek to better understand the extent of which SCS are sufficiently effective in driving the much urgent sustainability transformations necessary in the coming decades (Dietz et al., 2022).

Following this rationale, it is crucial to understand the potential effectiveness SCS, as rule-setting platforms keep on proliferating. While there is growing demand for companies to become certified, the challenge of addressing environmental and societal urgency remains imminent and to a great extent unresolved. Thus, the necessity for better understanding which SCS are up to the task in leveraging constant (and bold enough) improvements.

Although the concept of SCS is of great value and offers significant potential for advancing sustainability in the private sector, the impacts of certification schemes are not always positive and remain ambiguous (Bray & Nielson, 2017; Kalfagianni & Pattberg, 2013). As previously mentioned, today’s landscape is shaped by fast growth of diverse SCS which has raised questions regarding the effectiveness of such SCS in delivering significant social, environmental, and economic outcomes.

Such Poorly designed SCS can mask undesirable effects and mislead the public from its vested interests, while making it difficult for stakeholders to differentiate between the more credible SCS. Such challenges may not only impair the extent for which a standard is effective in realising its core mission, but it could also lead to a lower confidence amongst stakeholders, diminishing acceptance of such certifications in the future (Junior, Franks, & Ali, 2016). In other words, poorly designed and weak

SCS can promote greenwashing, masking a company's actual performance, as the majority of the changes include the administrative work on reporting but without the actual need of improving their sustainability performance on the ground (Amundsen & Osmundsen, 2020; van der Ven, 2019).

Amidst all the associated challenges, guidance towards assessing the potential effectiveness and the ability to differentiate between such schemes is needed (Scarlat & Dallemand, 2011). This thesis sets out to contribute to such efforts for professional guidance when choosing between the multitude of SCS. This is reinforced by scholars arguing that SCS have "untapped potential as a learning tool for companies" (Amundsen & Osmundsen, 2020).

As part of the results, the researcher aims to come up with a comprehensive framework and sets of recommendations for practitioners and other stakeholders willing to choose between the wide variety of SCS. Such applications can provide guidance for decision-makers in being better informed on what to expect in terms of the potential that certain SCS may implicate on their sustainability journey. Finally, the implications of this research could provide feedback for the respective SCS organisations themselves.

2. Theoretical background

2.1. Standards and their certification

Certification schemes are processes whereby products and services are being produced or provided in accordance with predetermined standards. In order to determine whether the product or service has complied with the standard in question, a certification process will assess the practices and processes conducted by the adopting entity according to certain list of criteria for meeting the standard. The list of criteria acts as a form of framework with requirements for the adopting entity to follow and abide by through a certification process or assessment.

If the assessment determines a sufficient performance of the adopting entity in implementing or abiding by the standard's criteria, then a label or a certification will be awarded to the adopting entity, demonstrating the achievement of such performance (Barry et al., 2012). The International Organisation for Standardisation (ISO) defines certifications as "the provision by an independent body of written assurance (a certificate) that the product, service or system in question meets specific requirements" (Junior, Franks, & Ali, 2016, p.581).

It is to note that SCS can differ from one to another in various ways. For example, distinctions range from being voluntary or compulsory, specialising in different industry sectors, or engaging different levels of stakeholders, and to the procedures and quality of their assessment processes (Junior, Franks, & Ali, 2016).

As mentioned, this Thesis aims to investigate non-industry specific standards. Fitting in this category, and following Fonseca and colleagues' (2021) observations on their contemporary potential for significant sustainable market transformation, the B Corp standard and ISO 14001:2015 EMS have been selected for the analysis.

B Corp Certification is a privately held standard that has been developed by a US-based non-profit organisation called *B Lab*. Founded in 2006, B Lab has expanded its reach globally with the aim of leading a social movement, namely, *the B Corp movement*. The standard itself issues certificates to for-profit companies that implement social and environmental measures into their companies' operations, business model, and strategy (Fonseca et al., 2021). As for the *B Corp Movement*, it calls for a new form of company structures throughout the global market. The movement rests on a new paradigm, where companies will be expected to redefine their business value to promote societal interest beyond shareholders' value (profit) alone (Diez-Busto, Sanchez-Ruiz, & Fernandez-Laviada, 2021). The letter 'B' stands for *Benefit*, which is to be demonstrated to a variety of stakeholders, including employees, customers, community, and the natural environment (André, 2012).

In contrast to the emerging B Corp movement, the well-established and revered International Standard Organisation (ISO) has been addressing sustainability through one out of its numerous standards, namely, ISO 14001:2015 Environmental Management System (EMS) (Fonseca et al., 2021).

With a different mission than B Corp, ISO 14001:2015 evolved more as a regulatory mechanism to anticipate stakeholder concerns partly due to growing global supply chains (Fonseca et al., 2021). Moreover, as B Corp focuses on all sustainability dimensions (environmental, social, and economic), ISO 14001:2015 mostly focuses on environmental sustainability (Fonseca et al., 2021).

In addition to improving environmental sustainability, ISO 14001:2015 has been praised for stimulating organisational performance (Fonseca & Domingues, 2018; Murmura et al., 2018), while increasing transparency (Murillo-Avalos et al., 2021), profitability, and market benefits (Lee et al., 2017). Considered the most widely adopted certification of environmental standards (Aravind, & Christmann, 2011), its success can be demonstrated by its wide application worldwide, over with 312,580 certifications, making it the mostly adopted environmental standard in the world (Fonseca et al., 2021).

2.2 Effectiveness of standards

This thesis sets out to explore the conditions for effective governance of Sustainability Certification Schemes (SCS). More precisely, the analysis is conducted on the sustainability governance fostered by the SCS organisations themselves, via the requirements their respective standards, which adopting entities abide in order to receive the certification. In doing so, SCS organisations, in their unique way, act as a form of rule-setters.

In contrast with traditional public governmental rule-setting, this form of SCS governance relies on market forces and public pressure, for businesses to voluntarily seek to comply with their rules (Kalfagianni, & Pattberg, 2013).

Furthermore, Gulbrandsen (2010) explains that in some fields, private certification schemes have been more effective in implementing environmental regulations in comparison to governments. Partly due to that reason, public actors (e.g., the OECD forum) are increasingly supporting the involvement of private international organisations in development of policies and strategies (Scheyvens, Banks, Hughes, 2016). This has been notably more visible in the last decade, where companies have

contributed greatly to sustainable development worldwide. And those able to demonstrate commitment to more sustainable practices have been presented with substantial opportunities (Scheyvens, Banks, Hughes, 2016).

Alas, as Scheyvens and colleagues (2016) state, putting businesses at the centre of the sustainability agenda comes with risks to global sustainability progress. As private companies have a clear motivation for-profit, interventions have been mostly focused on voluntary changes, tackling “soft” sustainability measures rather than making fundamental changes (Pingeot, 2014). This challenge relates back to the importance of international private organisations acting as rule-setters, in setting effective sustainability governance for companies to implement accordingly. As warned by Junior and colleagues (2016), the high pace proliferation of sustainability certification schemes (SCS) has raised questions regarding their effectiveness. In other words, concerns are raised as to whether such schemes truly bring about significant social, environmental, and economic outcomes. They also explain that if SCS are found to be ineffective or weak, the credibility of the entire practice could be undermined.

As elaborated so far, the concept of effectiveness is paramount in context of the extent to which institutions are capable of advancing sustainability. However, it is important to clarify what is meant by *effectiveness* in this Thesis. Starting from the definition of *institutional effectiveness*, it is understood that for an institution to be considered effective, it has alleviated or solved the problem that motivated its creation (Young and Levy 1999; Underdal 2002).

In the literature, the term or definition of effectiveness is being used interchangeably, but essentially with a similar meaning. For example, Rapkin and Braaten (2009), use the word of *success factors* to explain effectiveness; “The potential of a CS [certification scheme] to solve or alleviate the sustainability problems that motivated its creation is a core success factor” (Tröster & Hiete, 2018, p. 1,036). Or “the level of success of institutional performance towards some objective that motivated its establishment” (Kalfagianni, & Pattberg, 2013, p. 125); the “ability [of a management system] to resolve the environmental problem that prompted its creation” (Gueneau, 2013, p. 3).

Inspired by Gulbrandsen (2005), *effectiveness* of SCS will be defined as:

the degree to which sustainability certification schemes (the instrument) modify sustainability practices (of companies) in ways that (are likely to) reverse or alleviate sustainability challenges.

Back to the early meaning set by Young and Levy (1999) concerning problem-solving effectiveness (sometimes referred to as *direct* measurement of effectiveness), it has been found incredibly challenging to evaluate and nearly impossible to measure in many cases. This is due to the need for isolating causality from global environmental or social impacts to the direct effectiveness of the institution being evaluated (Gulbrandsen, 2005; Kalfagianni, & Pattberg, 2013).

Thus, taking on a similar approach to the research conducted by Kalfagianni, & Pattberg (2013) on environmental transnational institutions, this thesis will evaluate the effectiveness indirectly instead of measuring direct effectiveness of sustainability performance. As Kalfagianni and Pattberg (2013) explained, measuring the theoretical potential of such initiatives provides a few benefits in contrast

to measuring direct impact of effectiveness. First, it allows performing suitable comparisons between different initiatives. Second, as mentioned, by addressing indirect effectiveness, the researcher can disregard broader societal and economic factors which may influence direct measurements of impact (Kalfagianni, & Pattberg (2013). As of the limitations to such an approach, it does not evaluate the extent of which companies adopt and fully internalise the sustainability standards (Amundsen, & Osmundsen, 2020).

The attempt to evaluate such effectiveness rests on the fundamental assumption that effectiveness in practice depends to a large degree on certain *institutional design* to effectively foster and implement sustainability objectives (Wettestad, 2006; Biermann, & Pattberg, 2008).

Also for SCS organisations specifically, scholars explained that their indirect effectiveness depends significantly on their *institutional design and conditions*. For example, institutional design refers to how the standard prescribes the sustainability governance requirements and how it is designed to enforce adopting companies in implementing them (Dietz & Aufferberg, 2014).

This Thesis sets out to investigate some key components of institutional designs, amongst other factors, that are deemed relevant for affecting the effectiveness of SCS. The Thesis will refer to these key components as *conditions for effective governance* of SCS. Building on a set of conditions that have initially been developed by Kalfagianni, & Pattberg (2013) for marine standards, through aquaculture and fishery certification schemes. As the marine standards contain some feature variations in contrast to B Lab and ISO 14001:2015, which are non-industry specific, the framework developed in this thesis will undertake some modifications alongside newly developed conditions to provide a compatible fit to the new analysis, and to address some the mentioned gaps in the literature concerning this domain.

The set of conditions for fostering effective sustainability governance have been elaborated as the following: (1) Sustainability dimensions, (2) Stringency of the standard, (3) Quality of the audit, (4) Accountability and transparency, (5) Stakeholder participation in decision-making, (6) Distributive equity, and (7) Uptake. These conditions have operationalised indicators which will be tested on two case studies, namely B Corp standard and ISO 14001:2015 Environmental Management System (EMS).

For every condition, there are performance indicators, which determine the extent of which the condition is met by the standard's certification process. The indicators are essentially a form of qualitative criteria which ought to be met in order to increase the theoretical effectiveness of the SCS. Inspired by Kalfagianni, & Pattberg (2013), the extent to which the SCS is potentially more effective in governing sustainability, will depend on the extent of which the conditions (thus the indicators) are met within the design of the SCS. This is to note that fulfilling the conditions does not conclusively determine the level of actual effectiveness, as a more in-depth analysis may be required. This assessment rather sets some of the foundations for a more in-depth analysis.

3. Methodology

3.1 research questions

The Thesis will attempt to answer the following questions:

Main Research Question (RQ): To what extent are B Corp and ISO 14001 certification schemes fostering conditions for effective sustainability governance amongst companies?

Sub Research Question 1 (SRQ1): Which theoretically identified conditions contribute to fostering effective sustainability governance in companies?

Answering SRQ1 will entail developing a newly adapted framework for effective governance of SCS, inspired by existing frameworks, alongside synthesis of relevant literature. By constructing a more adapted framework for SCS, the foundations for the analysis of the specific case studies will be established.

Sub Research Question (SRQ2): How do the B Corp and ISO 14001 standards perform in terms of the identified conditions in SRQ1?

Answering SRQ2 will apply the newly built framework on the case studies, examining each condition with regard to its respective standard. This will provide the essential data followed by a comparison between the findings of the two cases.

Sub Research Question (SRQ3): What are the observed differences between B Corp and ISO 14001 standards in terms of the conditions for effective governance, and what are the implications for fostering sustainability amongst businesses?

Answering SRQ3 is dedicated to first providing a systematic comparison between the two cases, followed by an analysis to the extent for which the conditions are met. Reflecting and synthesising the theoretical impacts that each certification has in fostering sustainability governance for companies who adopt the standards, and present a comprehensive answer to the main research question.

3.2 Research design and strategy

The design of the research methodology will follow a few steps in order to answer the main research question (RQ).

Comparative case-study approach

This thesis will take on a comparative case-study approach. This will entail an analysis and synthesis of two sustainability certification schemes (SCS), namely B Corp and ISO 14001. Although SCS can widely differ from one another, the two cases are comparable in terms of their function; as a knowledge and regulatory platform which enables sustainability governance amongst certified

companies. However, as previously introduced, the two cases present many distinctions and uncertainties with regards to their theoretical effectiveness in fostering sustainability governance. Thus, the assessment will look into observed commonalities, differences, trends, and patterns between the two. Moreover, the initial motivation of the researcher was to analyse the potential effectiveness of B Corp certification in detail. It is assumed that a more profound understanding can be produced if systematically compared with a well-regarded and esteemed reference case, such as ISO 14001.

The steps of the research design:

1. Problem identification
2. Theoretical framework development
3. Applying the framework on the case studies
4. Comparison of the results and implications

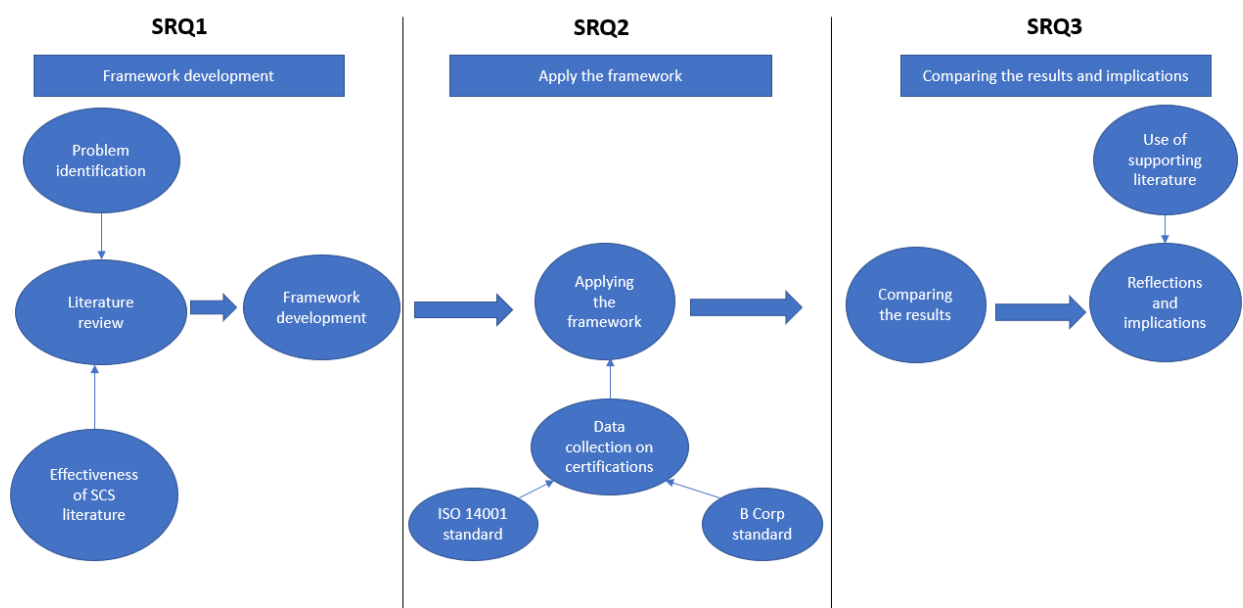


Figure 1: Research Framework

1. **Problem identification** phase began by defining the specific research problem. The problem identification was guided by the broader debate around the contribution and challenges of companies to advancing sustainability, and more specifically by the Thesis aims to better understand the contribution of sustainability certification schemes (SCS) in fulfilling this role. For this, the researcher relied on knowledge from social science’s literature on the concepts relevant to the focus of the research. The concepts for the problem identification revolved on literature on sustainable development, conditions for effective governance of standards, and the state of standards and certification schemes in fulfilling such governing mechanisms.
2. **Framework development (SRQ1)** builds on the framework conducted by Kalfagianni, & Pattberg (2013), alongside building of new sets of conditions and their respective performance indicators, to best-fit the analysis of non-industry specific SCS. In order to have a more detailed analysis, sub-elements for each condition will be divided into performance indicators that will serve as operational criteria which can help determine the extent for which the conditions are met by the SCS. In order to construct compatible conditions for a new

framework, the researcher will evaluate a broad range of studies of success factors and conditions for effective governance of SCS. The conditions developed in the framework looked at how can the SCS organisation help to generate improved sustainability governance amongst companies adopting their standards.

3. **Applying the framework (SRQ2).** In order to empirically test the problem at hand, the researcher has chosen two distinct, but comparable SCS to serve as the subjects of analysis, namely B Corp and ISO 14001. The theoretical framework served as the basis for analysis and as a structured guide to apply on the two cases. The analysis used existing publicly accessible data from the SCS organisations themselves (in forms of publications, reports, etc.), to evaluate the extent for which the conditions and their respective indicators are met by the SCS.
4. **Comparing the results and their implications for effective governance (SRQ3)** Following the application of the framework on the two cases separately, the comparison between the two cases takes place in this phase followed by reflection on the implications for fostering sustainability governance amongst certified companies. First, observed results for each condition will be compared between the two cases. A systematic comparison of the two certifications has been elaborated in text, whereas some cases are compared using the given quantitative ranking. Followed by a systematic comparison, additional synthesised effort has been made to grasp a more in-depth understanding for the implications drawn by the findings. In a qualitative fashion, a normative evaluation will take place highlighting the most important observations from the comparative analysis. A normative evaluation in this case is described as the critical reflection of the researcher's point of view in accordance with the findings and supportive literature. This section would critically reflect on the extent (taking into account the abilities, opportunities, barriers, and differences) of which the SCS adopt the conditions to effectively foster sustainability governance amongst companies.

As a consequence of answering the main research question, the researcher hopes to better understand the extent of which such standards can be leveraged to produce even more desirable impact and overcome the associated challenges described in this thesis.

3.3 Data collection

Desk research

1. Academic literature - In order to answer the research questions, academic desk research will be followed by doing a systematic review of the literature. With regards to formulating the problem identification and the framework development (SRQ1), significant part of the research will rest on social science's literature. There will be no specific restrictions to the time of publications for fundamental concepts. Search engines used: Scopus and Google scholar. Scopus will be used for its advantage to selectively choose high quality published literature according to pre-defined search strings and organising of search results. Adversely, Google Scholar would be used for its advantage to cast a wider scope of literature as its search engine is less restrictive compared to Scopus. The keywords used: Effective Institutional Governance, Sustainable Development, Conditions for Effective Governance, Good-governance Principles,

Sustainability Standards, Certification Schemes. In addition, in order to more effectively gather relevant data for this research, the method will entail following both forward and backward snowballing techniques with publications deemed relevant. All sources should be available publicly or in the English language. If sources do not meet these conditions they will be excluded from the research.

2. **Grey literature (non-academic sources on the studied certifications schemes)** - With regards to the framework development phase, or answering SRQ1, non-academic sources have been used to help the researcher to get initial familiarity with the case studies, as for their organisation and their respective standards, prior to the following phases of the research. For answering SRQ2, most of the grey literature served as the fundamental data to apply the conditions for effective governance of the newly developed framework. The type of data and sources can include a variety of grey sources including; the SCS organisations' website pages and published reports, reliable reports from third-party or non-profit organisations, etc. With regards to the timeframe, as certification schemes are dynamic and develop fast, grey sources used for this analysis are not older than 5 years, hence, no older than the year 2017.

Interviews – This thesis did not perform interviews. Following the defined scope of this research and in accordance to the described methodology, the researcher has collected sufficient data entirely through desk research.

4. Results

4.1.1 Theoretical framework: Conditions for evaluating effectiveness of Sustainability Certification Schemes (SCS)

Sub Research Question 1 (SRQ1): Which theoretically identified conditions contribute to fostering effective sustainability governance in companies?

In order to answer the first sub research question (SRQ1), the following evaluation framework has been developed. The framework builds on academic literature on relevant institutional design factors of the SCS organisations and their respective standards in fostering more effective sustainability governance. The framework is laid out across seven theoretical conditions for fostering effective governance of SCS. Each condition has more specific indicators which are translated into operationalised criteria. These indicators will essentially be applied on the case studies in chapter 4.2. the summary of the framework can be found in chapter 4.1.2.

Due to the different nature and complexity of each condition, the structure of assessment is not entirely similar for all conditions. Most notably, for conditions with extensive amount of indicators (i.e., four and above), additional to text, a qualitative ranking will be given and presented in a table. This ranking will apply for the following conditions: (2) Stringency of the standards, (3) Quality of the audits, and (4) Transparency.

4.1.1.1 Sustainability dimensions

Sustainability rests on three pillars, namely environmental, social, and economic sustainability, often referred to as the *triple-bottom line* (Osmundsen et al., 2020). Although there is a wide consensus on consideration of the three pillars for a broad definition (Fonseca, 2012), in practice, both in research prospects and policy development, usually an even narrower definition is applied, considering only part of the sustainability dimensions (Béné et al., 2019; Eakin et al., 2017; Foran et al., 2014). Some warn of such a “narrow” perspective of sustainability, whereby much attention is given only to partial elements of sustainability. In the case of some SCS, Osmundsen and colleagues (2020) have found that there is an “overwhelming focus” on a single pillar of sustainability, i.e., environmental-sustainability. This relatively narrow focus on the environmental pillar suggests that these certifications do not take a holistic approach on sustainability, thus compatible for only a limited set of actions. Tlusty and Thorsen (2017) explained that such a limited view disregarding so-called holistic dimensions of sustainability may result in a restricted understanding of how environmental-related issues interact with social or economic structures, and may result in inadequate or failing policy responses. Dietz & Auffenberg (2014) refers to this as the ‘scope’ of a SCS, or the ‘comprehensiveness of a standard’. Osmundsen and colleagues (2020) adds that “sustainability is by definition and by necessity a comprehensive concept” (p. 1).

The aim of this analysis is to understand the scope of an SCS by investigating the areas of sustainability addressed in their respective standard, as prescribed in the standard’s assessment criteria or requirements (Dietz & Auffenberg, 2014). Although this analysis alone is not intended for determining the effectiveness of the standard in addressing sustainability problems, it is a crucial element of investigation relevant for the following assessment towards understanding the overall effectiveness of the SCS in fostering sustainability (Dietz & Auffenberg, 2014; Osmundsen et al., 2020). This is because the SCS in question can only improve what it addresses through its standards, therefore its scope needs to be determined first (Dietz & Auffenberg, 2014). For example, a SCS can be very effective, but its standard solely addresses emission reductions while not addressing any social problems. Thus, its effectiveness in fostering sustainability governance is limited to specific areas of intervention. An overall understanding of the sustainability dimensions addressed by the standard, as found in its assessment criteria or requirements, will be evaluated under this condition.

4.1.1.2 Stringency of standards

This condition entails understanding the extent of which a standard is strict with regards to meeting social and environmental requirements. Stringency refers to the degree of which the social and environmental requirements prescribed for implementation by the SCS are strict (Auld, Gulbrandsen, & McDermott, 2008). In the absence of strict prescriptions, the implementing body tends to have less significant behavioural changes (Fuchs, & Kalfagianni, 2012). Therefore, numerous researchers claimed that higher stringency is expected to foster effective sustainability governance and outcomes in comparison to lenient SCS (Dietz & Auffenberg, 2014; Kalfagianni & Pattberg, 2013; Tröster & Hiete, 2018). There are numerous ways for standards to be more stringent in their prescriptions for fostering a more effective sustainability governance amongst adopting entities.

The following indicators are used to evaluate stringency: (a) Detail of overarching principles and criteria; (b) Inclusion of quantifiable targets; (c) Inclusion of targets that measure performance; (d) Requirement to develop sustainable management plans.

a) Detailed principles and criteria

Standards are often criticised for use of vague language and misrepresentation of concepts, often resulting in misconceptions or inadequate implementation of the standards, and the promotion of greenwashing (Junior et al., 2016). Therefore, it has been recommended that standards aim to provide detailed indicators and criteria (e.g., considering different factors for a specific problem). By doing so, it is likely to improve precision, avoid generalisations and overlook important interventions, consequently leading to higher impact on the ground when implementing the standard (Tröster & Hiete, 2018).

b) Inclusion of quantifiable targets

The standard includes quantifiable targets wherever possible (Kalfagianni & Pattberg, 2013). For example, a quantifiable target could be; obtain at least 40% of renewable energy in the firm's energy mix. By including quantifiable targets, they can be measured and compared, providing benchmarks useful for understanding the current situation, managing performance, and setting measurable objectives for improvement. Setting quantifiable targets is highly associated with improving the effectiveness of standards (Tröster & Hiete, 2018).

c) Inclusion of targets that measure performance

Critics point out the challenges of SCS to promote sustainability impact as a result of a lack of measurable performance targets of schemes (Junior et al., 2016). Aravind, & Christmann, (2011) explained that schemes which do not provide targets that measure actual performance may leave significant room for interpretation for auditors. As a result, adopting entities often obtain the certification although not fully complying with the SCS requirements (Aravind, & Christmann, 2011). Marx and Cuypers (2010) supports such statements and points out that it is common for certified organisations to demonstrate poor sustainability performance although meeting all the SCS requirements of the scheme. Barry and colleagues (2012) recommend in this regard that SCS undertake a transition from “measuring practices and activities (management-based) to measuring performance (performance-based)”. It is argued that performance-based schemes will be more adequate in fostering greater sustainability impact in comparison to management-based ones (Gulbrandsen, 2005). A SCS is considered more effective if it has performance targets or measurements in order to determine whether the results from actions taken have been sufficiently addressed in order to reach the objectives of the standards. Lacking such measurable performance targets can result in insufficient or inadequate implementation, providing the SCS to be less effective (Junior et al., 2016).

d) Development of sustainable management plans

Beyond measuring performance, standards should also provide requirements for companies to form sustainable management plans (Kalfagianni & Pattberg, 2013). It has been found that SCS can help promote certified entities to develop sustainable management plans or systems, which in turn are

likely to promote productivity and foster positive outcomes (Lewis & Davis, 2015). Moreover, they help promote self-reliance and long-term planning of sustainable practices amongst certified entities, which in turn improves the effectiveness of the standards (Junior et al., 2016).

In order to assess the stringency level of a SCS, the following scaling will take place (Kalfagianni & Pattberg, 2013). If all four indicators are satisfied then the standard is considered *very stringent*. Out of the four indicators, if three are satisfied, then the standard is considered *stringent*. If two indicators are satisfied, then the standard is considered *medium stringent*, If one or no indicators are satisfied, the standard is considered *lenient*.

Stringency level:	Very stringent	Stringent	Medium stringent	Lenient
Indicators satisfied:	4/4	3/4	2/4	1/4 (or less)

4.1.1.3 Quality of the audit

As the SCS provides a certificate for companies which comply with its standard's requirements, it is necessary to have an instrument in place which can provide a reliable affirmation of such behavioural and procedural changes within the company (Kalfagianni & Pattberg, 2013). This instrument, commonly referred to as an *audit*, is required to be strict in order to ensure compliance of the adopting entity with the requirements prescribed by the standard (Blackman & Rivera, 2011). Strict auditing processes act as a form of enforced but objective monitoring of compliance with the standard's requirements. Auditing processes are designed to create both incentives and penalties for compliance and non-compliance, and is realised by regularly monitoring and enforcing observed levels of compliance (Breitmeier, Young, & Zurn, 2006). Moreover, such enforcement and monitoring mechanisms are crucial to prevent dishonest behaviour or impartiality of the adopting entity, while also promoting credibility and trust. Promoting objectivity and trust through audits is the core rationale of auditing. It is highly effective in evoking trust amongst multitude of actors who need to collaborate and trust each other (Breitmeier, Young, & Zurn, 2006; Fucks, 2006; Miller & Bush, 2015

The indicators for this condition are: (a) evaluation of compliance by independent third-party auditors; (b) third-party certification body accredited by independent organisation itself; (c) requirement of 100% compliance with the standard's criteria; (d) severe sanctions in case of non-compliance; (e) audit frequency; (f) continuous improvement.

a) Evaluation of compliance by independent third-party auditors

Compliance with the standard's requirements are not evaluated by personnel employed directly by the SCS organisation itself. The third-party auditors have been accredited by an independent third-party auditing organisation (Junior et al., 2016; Kalfagianni & Pattberg, 2013; Tröster & Hiete, 2018).

b) Accreditation is conducted by an independent third-party certifying organisation itself

Accreditation of the SCS's standards are conducted by an independent third-party auditing organisation, also referred to as a certification body (Junior et al., 2016; Kalfagianni & Pattberg, 2013; Tröster & Hiete, 2018).

c) The standard requires 100% compliance with its rules

Strict enforcement should not distinguish between voluntary or mandatory requirements, and aim for 100% compliance with its rules. In practice, this is not always possible to meet all the criteria of the standard at once. Therefore, a standard should have a threshold which requires compliance with the most important criteria, which are mandatory and require 100% compliance (Kalfagianni & Pattberg, 2013).

d) Severe sanctions in case of non-compliance

An important element for evaluating effectiveness revolves around communicating severe sanctions for certified entities who fail to comply or violate the standard's agreements. Acosta (2014) addressed this matter explaining that schemes who fail to link non-compliance with sanctions can damage their credibility in the eyes of customers and other stakeholders. Moreover, the lack of sanctions for non-compliers can exacerbate a decline in commitment and motivation amongst already-certified entities, affecting their performance and ability to generate positive outcomes. Therefore, in order to promote effective governance, SCS should communicate sanctions for non-compliance upfront and in a clear manner, to all adopting and already-certified entities (Junior et al., 2016). It is recommended that severe sanctions will take place in the form of revocation of licence for the certification and exclusion of membership (Gulbrandsen, 2005; Kalfagianni & Pattberg, 2013).

e) Audit frequency

One-time audits do not guarantee the continuity of implementation of the standard, and are likely to promote stagnation. Thus, audits are to be repeated on a regular basis in order to ensure that the certified entity is adhering to the standard's requirements and maintain sufficient level of performance. In the absence of conducting audits on a regular basis, it may result in a situation whereby certified entities decrease their performance below the standard's requirements while still maintaining the certification (Tröster & Hiete, 2018).

f) continuous improvement

Sustainable development is an ongoing process of learning and improving. The standard should facilitate continuous improvement amongst certified entities in order to reach a higher potential for desirable impact. Thus, in order to achieve desired sustainability outcomes that improve over time, the standard should be designed to facilitate progressive and continuous improvement from the certified entity. For example this could be achieved via the formulation of the standard requirements, or by setting different degrees of implementation (Tröster & Hiete, 2018).

Strictness level:	Very Strict	Strict	Medium Strict	Flexible	Very flexible
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Indicators satisfied:	6/6	5/6 (must include third-party auditing indicator)	4/6 (must include third-party auditing indicator)	3/6 (Any indicator)	2/6 (Any indicator)
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4.1.1.4 Accountability and Transparency

Accountability

One of the cornerstones of SCS in fostering sustainability is by assuming accountability for the social, environmental, and economic performance and impacts they claim to foster through the adoption of their certifications (Junior et al., 2016). In this regard, accountability has been seen as a useful way to reduce disparities between the need for sustainability action in comparison to observed responses and implementation of sustainability standards (Kramarz, & Park, 2016).

Accountability of SCS organisations is often driven by market pressures, taking a form of surveillance or control of non-authority but powerful agents, including consumers and local communities (Mol, 2015), and sometimes by legal authorities and public pressures such as governments (Gulbrandsen, 2010).

Despite its importance, lack of accountability (and transparency) can be prevalent amongst SCS organisations (Sharife, & Grobler, 2013). It has been warned that SCS failing to assume accountability are susceptible to misinterpretations and can indirectly promote greenwashing on behalf of the adopting entities, by misleading the public about their actual achievements and performance over time (Junior et al., 2016). Therefore, Junior and colleagues (2016) suggest that it is crucial for SCS to act accountable by assessing their own effectiveness as an organisation, and guide future improvements in realising their stated goals and achievements. In other words, SCS should be able to clearly communicate and demonstrate the positive social, environmental and economic outcomes they claim to foster as a result of adopting their standards (Boiral, & Gendron, 2011). Such communication should be adequately presented to manage and engage with stakeholders' expectations, which is highly associated with SCS effectiveness in the long-term (Junior et al., 2016). Finally, accountability can be of true value when actors are made aware of, thus, for accountability to take place, the relevant information should be disclosed transparently, hence they are dependent on each other (André, 2012; Schleifer, Fiorini, & Auld, 2019).

Taking on Junior and colleagues' (2016) approach, this assessment sets to investigate the extent to which the SCS organisations themselves are held accountable. It will investigate the extent for which a SCS organisations are held accountable to its stated objectives and achievements. This condition will investigate the extent to which the SCS organisation periodically reviews and publishes this information in a clear, high quality, and detailed manner, providing sufficient disclosure for accountability to take place.

Transparency

In contrast to the previous evaluation for accountability of the SCS organisation, this following section evaluates transparency in practice, of the standard itself. It is also essentially meant to address accountability of the organisation on behalf of the transparency for its standard's procedures.

In environmental governance of SCS, transparency is widely accepted to facilitate a more accountable and effective sustainability-related governance (Gulbrandsen, 2005; Gupta, Boas, & Oosterveer, 2020; Kalfagianni & Pattberg, 2013; Mori Junior et al., 2016; Tröster & Hiete, 2018), in parts, as it reduces suspicion of greenwashing and increases the SCS's credibility amongst stakeholders (Junior et al., 2016). Knox-Hayes and Levy (2014) add that especially stringent forms of mandatory disclosures are most likely to foster direct and indirect sustainability performance. Yet, contestation remains regarding how to design effective transparency systems and in what context they can be achieved (Gupta, Boas, & Oosterveer, 2020). Focusing on Tröster and Hiete's (2018) reference to transparency, it requires investigating public disclosures of specific components in order to enhance accountability and effectiveness amongst SCS firms. Mori Junior and colleagues (2014) expressed that in order to enhance transparency amongst firms, SCS processes must be themselves transparent. Transparency will be evaluated by the extent to which SCS components are publicly available, explicit, and apprehensible to the majority of the stakeholders (Junior et al., 2016). Therefore, the assessment for transparency presents five indicators for SCS organisations, that if are deemed transparent, are most likely to foster greater accountability amongst firms, and in turn foster higher effectiveness for sustainability governance:

- a) The standard-setting procedures are clear and made publicly available (Milder et al., 2015).
- b) The standard's requirements (assessment criteria) are clear and made publicly available (Aguilar and Vlosky, 2008).
- c) The auditing methodologies are clear and made publicly available (Mori Junior et al., 2014; Tröster & Hiete, 2018).
- d) The audit results are clear and made publicly available (Kalfagianni & Pattberg, 2013; Mori Junior et al., 2014; Schwarzbach and Richardson, 2015; Tröster & Hiete, 2018).
- e) Decision-making procedures are clear and made publicly available (Auld & Gulbrandsen, 2010).

Transparency level:	Very Transparent	Transparent	Medium Transparent	Non-transparent
Indicators satisfied:	5/5	4/5	3/5	2/5 (or less)

4.1.1.5 Stakeholder participation and decision-making procedures

Stakeholder participation

Stakeholder participation and decision-making procedures refers to the inquiry of the type of actors who are involved and participate in the development of the SCS. Stemming from a wider debate on stakeholder theory, a company's involvement with critical stakeholders can produce a multitude of positive enduring results such as creating positive social and environmental values, promote capabilities and access to resources, reduce conflicts and inequalities, increase trust, legitimacy, and

engagement, and more (Fonseca, 2015; McWilliams & Siegel, 2011; Mueller et al., 2009). As agreed by some scholars, the extent of which a balanced access is granted to procedures and decision-making of the relevant target groups, lies at the foundation for effective governance (Tröster & Hiete, 2018). This in turn may result in improved legitimacy and accountability alongside wider acceptance and compliance with the rule-settings of the SCS (van der Ven, 2022; Zürn, 2004). Overdevest (2010) stressed that legitimacy of SCS is a crucial requirement as they are private and voluntary in nature, and go beyond national regulation, thus needing confirmation and trust by external parties. Therefore, if the SCS fails to obtain legitimacy in the eyes of affected stakeholders, then such stakeholders might refrain from participating in the process, risking to undermine the success of social and environmental impacts that affect them, and compromise its effectiveness (Junior et al., 2016). Therefore, earning legitimacy amongst affected stakeholders is crucial, but usually requires the support of both directly and indirectly affected actors for the development and adoption rate of the SCS (Overdevest, 2010).

Participation of actors directly affected by the scheme can contribute to standard-setting or its implementation, while the involvement of indirectly affected actors can help encourage non-certified companies to get certified (Tröster & Hiete, 2018). Such actors which are directly affected by the SCS are usually businesses. While consumers, civil society, and state actors tend to be more indirectly affected by the rules of the standards (Fuchs, Kalfagianni, & Havinga, 2011). Further benefits from promoting participation and cooperation of some diverse actors in the development, monitoring, and assessing of the SCS, include higher quality outputs thanks to diverse experiences and perspectives (ISEAL Alliance, 2013; Junior et al., 2016). Such diverse stakeholders can be both direct and indirect actors as mentioned above, but also should consist of scientists, industry experts, or local knowledge experts, who are included in some processes of the SCS (Tröster & Hiete, 2018). Furthermore, in a global context in which SCS operates, the analysis requires better understanding of the geographical representation (region of origin) of the main actors who have access and are involved in the decision-making processes (Kalfagianni, & Pattberg, 2013).

Inspired by Kalfagianni & Pattberg's (2013) approach, evaluating stakeholder participation will entail:

- a) Assess the type of actors involved in decision-making procedures
- b) Assess the region of origin of such actors

Quality of participation

Although wide and inclusive participation of diverse stakeholders is desirable, it does not come without challenges, and potentially risks the effectiveness of SCS if not managed correctly. Notably, significant drawbacks of overcrowded stakeholder participation can result in unanticipated delays of developing the standards, or cause difficulties in reaching agreements, over-burden negotiations regarding the standard's rule-settings and priorities, and so on. Such ineffective form of participation is likely to result in reaching the lowest common denominator as consensus, and in turn will result in lower sustainability outcomes (Barry et al., 2012; ISEAL Alliance, 2013; van der Ven, 2022).

In order to mitigate the risk for such drawbacks, the SCS must establish a system, where competent well-defined strategies and methods can be developed in order to enhance effective participation of the aforementioned stakeholders (Junior et al., 2016; Marin-Burgos, 2015). An adequate strategy should include (but is not limited to) various elements including clear definition, criteria, and

boundaries of who are the stakeholders, who are deemed most relevant for participation, and who fits as adequate representatives (Junior et al., 2016). Furthermore, it should include an equitable participatory process that involves a balanced representation of groups (van der Ven, 2022), including ‘minority voices’ and marginalised groups (Cheyns, 2014). Moreover, the strategy should have a balancing mechanism capable of addressing and mitigating associated risks of ineffective participation. For instance, Marin-Burgos and colleagues (2015) explained that involving a broad range of stakeholders makes sense in situations whereby social or environmental conflict is likely to occur at a local level, while involving a broad range of affected stakeholders can take place only if the SCS has the ability to manage their concerns. Finally, it is recommended that such strategies address specific characteristics such as recognition of cultural context and language barriers, levels of education, use of efficient communication channels, and more (Junior et al., 2016).

The assessment will evaluate whether the SCS has a system and methods in place for incorporating elements of effective participation of stakeholders in decision-making procedures when developing the standards.

4.1.1.6 Distributive equity

This condition will look into equity and social justice as a fundamental condition for effective sustainability governance from the lenses of equitable distribution of costs and benefits. In general, equity and justice are intrinsic to any sustainability-related challenges (Newell & Mulvaney, 2013). In this regards, various authors consider the importance of addressing equity and justice as a central field in sustainability governance in order for the outcomes to be considered successful (Bennett et al., 2019; Blythe et al., 2018; Grasso 2009; Swilling & Annecke, 2012; Williams & Doyon, 2019). More precisely, this refers to insufficiently addressing and examining the root causes of inequalities, which in turn can limit achieving the full potential for positive outcomes from processes of sustainable transformations (Bennett et al., 2019; Blythe et al., 2018). For instance, sustainable transformations, regardless of their scale, are affected, and will affect, the distribution of wealth, opportunities, and privileges across different groups and actors (Blythe et al., 2018).

Alongside governments and civil societies, sustainability certification schemes play a key role in effectively addressing inequalities by prescribing social added value in their standards (Barry et al., 2012; Giovannucci and Ponte, 2005). For this reason, SCS often express their commitments to enhancing equity, although it has been found difficult to clearly define and measure how they do so in practice (McDermott, 2013). Simultaneously, SCS have often been criticised for leading to negative outcomes in terms of equity and justice, for example by exacerbating marginalisation between different groups, such as between large-scale and small-scale producers (Ebeling, and Yasué, 2009; Marx, and Cuypers, 2010).

Understandably enough, equity is no simple subject of analysis. It is a broad and relative term (defined differently by different actors) which also demands compromises and trade-offs, and is often a subject of conflicted interests (McDermott, 2013). There are different ways to conceptualise and assess equity, however, a dimension referred to as *distributive equity* has been found particularly relevant in terms of fostering effective sustainability governance. Distributive equity

refers to how costs, benefits, and risks are distributed amongst actors that are affected by the standard implementation and its outcomes (Bennett et al., 2019; McDermott, 2013).

Its relation to fostering effective sustainability governance comes as a result of the complex nature of sustainability processes, often resulting in an unbalanced distribution in costs and benefits amongst affected actors. Such unbalanced distribution may backlash and undermine the successful implementation of sustainability initiatives in the long-run (Bennett et al., 2019; Blythe et al., 2018). Marcuse (1998) argued that sustainability objectives cannot be truly met without the inclusion of distributive equity. He explained that regardless of how positive a sustainability solution may be, advancing sustainability without giving thought to matters of just distribution, will simply reinforce or maintain the status quo, masking some inherent challenges and conflicts. For example, environmental initiatives that disregard equitable distribution of social and economic benefits (along the process or in its aftermath) may stem local community conflict which in turn prevents the longevity of the environmental implementation (Klain et al., 2014). As described by the renowned author Piketty (2018) “the unequal distribution of costs, benefits, power, and access to resources - exacerbates both social and environmental conditions; it undermines sustainability” (Hicks et al., 2016, p. 5).

Following Bennett and colleagues’ (2019) approach, *actors* in this assessment are identified through space, time, and between groups. Actors over space can refer to geographical proximity or distance between groups. Over time refers to the different phases of the sustainability process (before, during, and after), but also can refer to current and future generations. Such observations can be compared between different groups, which can vary from suppliers, social groups, ethnicities, consumers, natural environment, and more (Bennett et al., 2019). In terms of benefits of distribution, in practice it can vary greatly depending on the beneficiaries, ranging from climatic and biodiversity benefits to community social and financial benefits (McDermott, 2013). Also costs, burdens, or risks of inequitable distribution can range greatly. For instance, lack of technical and financial support in more vulnerable parts of the supply chain, or amongst certain groups in implementing the standards (Junior, Franks, & Ali, 2016). Or certification costs borne to consumers, applying financial risks for producers (McDermott, 2013).

In order to help untangle some of the difficulties in identifying the extent to which an SCS is promoting equity, this condition will take a combined approach from two researches on the assessment of distributional equity, inspired by McDermott’s (2013) equity assessment, and the guidelines prescribed by Bennett and colleagues (2019).

It will start with the following guiding questions (McDermott, 2013):

- a. **How do the standards address the distribution of costs and benefits (amongst those subjects)?** e.g., the standard prescribes ‘community benefits’, environmental protection, and emphasises the distribution of profit along the supply chain.
- b. **Who are the primary “subjects” of the standard?**
e.g., producers, workers, the natural environment, indigenous people.
- c. **Who are the intended beneficiaries of the standard?**
e.g., the natural environment, workers.

After answering the guiding questions, the assessment will consider the following design characteristics of the SCS for equitable behaviour in distribution of costs (harms) and benefits (inspired by Bennett et al., 2019):

- I. The standard prescribes to consider equity with regards to the distribution of costs and benefits between groups, over time and space.
- II. The standard prescribes the need to design a fair compensation and mitigation mechanism.
- III. The standard provides steps to adapt management to improve social and distributional outcomes.

4.1.1.7 Uptake

An elementary course of action for any SCS is to disseminate the adoption of its standards to an increasing number of potential adopting entities. In theory, an increase in dissemination and adoption of a standard translates to an increase in certified entities, which in turn increases the positive sustainability-related outcomes. Therefore, a higher adoption of a standard has been found to increase overall effectiveness in governing sustainability and promoting global sustainability impact for the respective SCS. Such adoption of the standard is referred to as uptake (Gueneau, 2013; Kalfagianni, & Pattberg, 2013; Tröster & Hiete, 2018; Van der Ven, Rothacker, & Cashore, 2018). In case of evaluating the uptake of a standard, the assessment will look at the membership size and membership type of the adopting entities (Kalfagianni, & Pattberg, 2013). Membership size will look at the number of total certified businesses and their size of industry (e.g., from smallholder to multinational). Membership type will look at the different business sectors which are certified, and their overall geographical representation.

Laggards

An increase in uptake usually comes with a trade-off with stringency of the standards, whereby more stringent standards are often associated with lower uptake, and vice versa. As standards are voluntary in nature, potential members might restrain from adopting the standard in the first place, or fail to meet the requirements, especially if they are too strict (Junior et al., 2016; Gueneau, 2013). Such entities, defined in this thesis as *laggards*, can be associated as poor-performers in terms of sustainability, or entities that for various reasons may find it challenging to access the certification process, or to implement it sufficiently. The inclusion of laggards and new starters is crucial for fostering global sustainability impact. This is because of the high potential involved in creating behavioural changes amongst laggards that are initially poor-performers or with other limitations, especially in comparison to already-certified entities or other organisations that are already performing high in terms of sustainability (Stetter, 2015). This also applies if the level of performance of laggards remains lower than that of high-performers, as including them in the improvement process is a better alternative than remaining in the status quo (Junior et al., 2016). By doing so, potential adopting entities are encouraged to surmount challenges associated with the beginning phase of implementation, and consequently it is likely that many will change their behaviour and increase their efforts to improve their sustainability performance over time (Englund, & Berndes, 2016).

Thus, as uptake is important for fostering effective sustainability governance, SCS should have a system in place to balance between the trade-offs with stringency or other factors that may impair laggards from adopting the standard. There are various suggestions on how SCS can navigate through the mentioned trade-offs, and find a balance that fosters effective sustainability governance. Junior and colleagues (2016) suggest that schemes take on a flexible approach to their certification which allows the participation of entities with different levels of performance. Such a certification system can promote various acquisition techniques such as using different categories and levels for certifications (different tiers of certification), allowing certain timeframes for implementation, and indicators that can be satisfied progressively after already being certified (Tröster & Hiete, 2018). An additional method is referred to as *interoperability* of a standard. This method entails that the standard is designed to recognise competing standards into its own assessment. For example, this can be the case with two competing standards which have similar requirements, but operate in different geographies. Such approach allows reducing unnecessary overlapping and duplications of standards and associated market confusion and greenwashing. This while also reducing certification costs and improves overall performance and uptake of a standard that has high interoperability (Junior et al., 2016).

Another significant challenge for laggards relates to limited opportunities and accessibility to the standard. These challenges can be addressed by implementing mechanisms that ensure the standard's context-sensitivity or adapting to local conditions (Tröster & Hiete, 2018; Junior et al., 2016). Ponte (2008) explained that SCS can promote uptake amongst Southern entities (i.e., small companies in developing countries) by lowering the costs of the certification through discounts, or by promoting more accessible payment options. Other forms of support can include technical assistance and capacity building initiatives (e.g., training and accessibility programs) or work with social initiatives for raising awareness, promoting innovation, and organising roundtable initiatives (Junior et al., 2016).

This is to clarify that such an approach is not to be confused with leniency, as long as a well-working strategy which applies some of the mentioned above, with a working system of continuous improvement set in place (Tröster & Hiete, 2018).

Therefore, the assessment will evaluate the extent to which the SCS has embedded mechanisms to promote flexibility and accessibility to capture laggards.

4.1.2 Summary of the framework

Conditions	Key Indicators	Operationalisation of the Indicators	Sources
Sustainability dimensions	Scope of the standard	Define the sustainability dimensions addressed by the standard, as found in its assessment criteria or requirements	Dietz & Aufferberg (2014); Fonseca (2012); James (2014); Tlusty and Thorsen (2017); Osmundsen et al. (2020)

Stringency of standard	Detailed principles and criteria	Principles and criteria contain at least three indicators	Junior et al. (2016); Kalfagianni and Pattberg (2013); Tröster & Hiete (2018)
	Quantifiable targets	The standard includes quantifiable targets	Kalfagianni & Pattberg (2013); Tröster & Hiete (2018)
	Performance targets	The standard includes performance-based targets	Aravind & Christmann (2011); Barry and colleagues (2012); Junior et al. (2016)
	Management plans	The standard includes sustainable management plans	Junior et al. (2016); Kalfagianni and Pattberg (2013); Lewis & Davis (2015)
Quality of the audits	Third-party auditing	Auditing is conducted by third-party auditors and not by the organisation itself	Junior et al. (2016); Kalfagianni and Pattberg (2013)
	Auditors accreditation	The auditor and/or auditing firm is accredited by independent certified organisations	Kalfagianni and Pattberg (2013); Tröster & Hiete (2018)
	Compliance with criteria	The standard requires 100% compliance with its criteria	Kalfagianni and Pattberg (2013)
	Sanctions for non-compliance	Severe sanctions in case of non-compliance	Acosta (2014); Gulbrandsen (2005); Junior et al. (2016); Kalfagianni and Pattberg (2013)
	Audit frequency	Audits are conducted on a regular basis	Tröster & Hiete (2018)
	Continuous improvement	The standard demands continuous improvement towards recertification procedures	Tröster & Hiete (2018)
Accountability & Transparency	Accountability of the SCS organisation	The scheme periodically reviews its performance with regards to its stated objectives and achievements, and publicly discloses this information in a clear, and detailed fashion	André (2012); Junior et al. (2016); Junior et al. (2016)
	Transparency of the scheme	The standard-setting procedures are clear and made publicly available	Milder et al. (2015)

		The standard's requirements and assessment criteria are clear and made publicly available	Aguilar & Vlosky (2008)
		The auditing methodologies are clear and made publicly available	Mori Junior et al. (2014); Tröster & Hiete (2018)
		The overall audit results are clear and made publicly available	Kalfagianni & Pattberg (2013); Mori Junior et al. (2014); Schwarzbach and Richardson (2015); Tröster & Hiete (2018)
		Decision making procedures are clear and made publicly available	Auld & Gulbrandsen (2010)
Stakeholder participation and decision-making procedures	Analysis of stakeholder participation	Assess the type of actors involved in decision-making and procedures	Kalfagianni & Pattberg (2013)
		Assess the region of origin of such actors	Kalfagianni & Pattberg (2013)
	Quality of participation	The scheme has strategies and methods that incorporate elements for effective participation of stakeholders in decision-making and procedures of the standard development	Cheyne (2014); Junior et al. (2016); Marin-Burgos (2015); Van der ven (2022)
Distributive equity	Distribution of costs and benefits amongst actors	The standard prescribes to consider equity with regards to the distribution of costs and benefits between groups, over time and space	Bennett et al. (2019)
		The standard prescribes the need to design a fair compensation and mitigation mechanism	
		The standard provides steps to adapt management to improve social and distributional outcomes	
Uptake	Membership size	Describe the number of total certified businesses and their size of industry	Kalfagianni, & Pattberg, 2013
	Membership type	Describe the industry sectors of the certified businesses and overall geographical representation	Kalfagianni, & Pattberg, 2013
	Laggards	The scheme has embedded a system to capture laggards through promoting flexibility and accessibility mechanisms	Englund, & Berndes (2016); Gueneau (2013); Junior et al. (2016); Stetter (2015)

Table 1: summary of the Theoretical framework: Conditions for fostering effective sustainability governance

4.2 Applying the framework on B Corp and ISO 14001 standards

Sub Research Question (SRQ2): How do the B Corp and ISO 14001 standards perform in terms of the identified conditions in SRQ1?

4.2.1 B Corp standard

The main assessment of the B Lab certification will focus on the BIA, thus, a short overview is provided:

The B Impact Assessment (BIA)

The BIA is an assessment tool, but quite uniquely, it also acts as a management platform for companies to manage and plan their impact and set their own objectives for improvement. The BIA is inherently holistic, addressing all dimensions of sustainability, and takes a stakeholder-based view, as it aims to lead a social and economic movement for a more equitable and regenerative economy. In order for companies to become B Corp certified they must undergo a series of processes, of which the main one is the BIA. The BIA essentially serves several functions for the certification process. In its most basic function, the BIA serves as a standardised framework for all companies to capture and manage (measuring and managing) their social and environmental impact on their stakeholders (BIA, 2022a)

The BIA framework is divided into different impact categories, including: workers, community, environment, and customers, as well as best practices regarding governance. Each category contains a list of comprehensive questions or statements (about 200 in total), from which the user can choose from multiple answers the one that represents the company's status to the utmost extent (B Lab, 2020i). Key principles of the BIA include being positively written, to serve as an aspirational and educational platform, as well as being objective, dynamic (can slightly vary according to industry sector and size), comprehensive to all users (using simple language and general technical terms), and confidential (as long as the user has not been certified) (B Lab, 2020k). Moreover, the BIA is an open access webpage, whereby users can freely use the tool before, during, and after the certification process. One of the hallmarks of this tool aims to provide a simple, holistic, but effective platform for users to continuously manage, evaluate, and improve their impact for the chosen categories. In order for a company to be certified, out of a maximum of 200 points, the adopting entity must satisfy a minimum of 80 points (B Lab, 2022o). Finally, although the BIA framework is standardised for the most part, small variations exist depending on some features including business size, sector, and its geographical location. Although the BIA demands a holistic approach of assessment, it also encourages the adopting entity to focus on high impact areas that are relevant for them, rather than try to satisfy all criteria at once (B Lab, 2020n).

4.2.1.1 Sustainability dimensions

Indicator: Define the sustainability dimensions addressed by the standard, as found in its assessment criteria or requirements

The B Corp certification uses the B Impact assessment (BIA) criteria as the main tool for capturing the company's social and environmental performance on its stakeholders. The scope of the standard's sustainability dimensions is therefore captured in the domains which the BIA addresses within its assessment.

As previously mentioned, the BIA is a holistic framework which helps users evaluate the impact areas of a business on its stakeholders in a standardised fashion. The impact areas of the BIA, or the scope of the standard, addresses five *impact areas* for sustainability; workers, immediate community (including suppliers), environment, and customers. The sustainability dimensions of the BIA are presented in figure 2 (B Lab, 2020b). Although the BIA presents a comprehensive assessment on sustainability, there is a minimum compliance of 80 points out of 200. This means that not all sustainability dimensions must be addressed for a company to become certified. In practice, B Lab recognises the difficulty in implementing all of the performance criteria, instead it suggests businesses to focus on the most high impact areas relevant for their specific context. Moreover, although it is not realistic to expect implementation of all performance criteria. The BIA allows to measure an organisation's entire social and environmental impact. Thus, although not all can be implemented, the adopting entity can get a holistic understanding of its sustainability performance overall and choose where to prioritise intervention efforts (B Lab, 2022a).

In order to capture the social, economic, and environmental performance and impacts of a business on its various stakeholders, the BIA assessment is designed as a holistic assessment framework that pertains to assessing a wide variety of activities. The activities can be grouped in two main aspects; operations and impact business models (IBM). Operations may include an assessment of the company's facilities, purchases, internal policies, and governance structure. Unlike the assessment on operations, the IBM does not apply for the majority of the companies, as it applies only for businesses with an inherent contribution to social and environmental sustainability (e.g., a company developing renewable energy technologies). The BIA will unlock additional evaluation and provide additional points for such companies who qualify for such IBM assessment. They may be based on a company's product or service, a particular process or activity, or the structure of the business itself (B Lab, 2020l).

Moreover, the BIA also includes assessing legal and governance aspects, and is designed to address and promote best-practices in these fields. Finally, B Lab claims to be the only standard with such comprehensive and holistic evaluation of a company's sustainability-related impact areas (B Corp, 2022b). In terms of its association with the SDGs, B Lab claims that the scope of the BIA is directly related to all of the 17 SDGs, and can be managed through the SDG Action Manager (B Lab, 2020i; B Lab, 2022p; B Lab, 2020m).

To conclude, the BIA framework and its performance criteria covers the wider definition of sustainability for the most part. It addresses it in the form of best-practices for socio-economic and environmental dimensions which a business can strive for. Beyond the sustainability dimensions, the criteria considers all relevant stakeholders, as it defines them as all that are affected by the company's activities, including the natural environment.

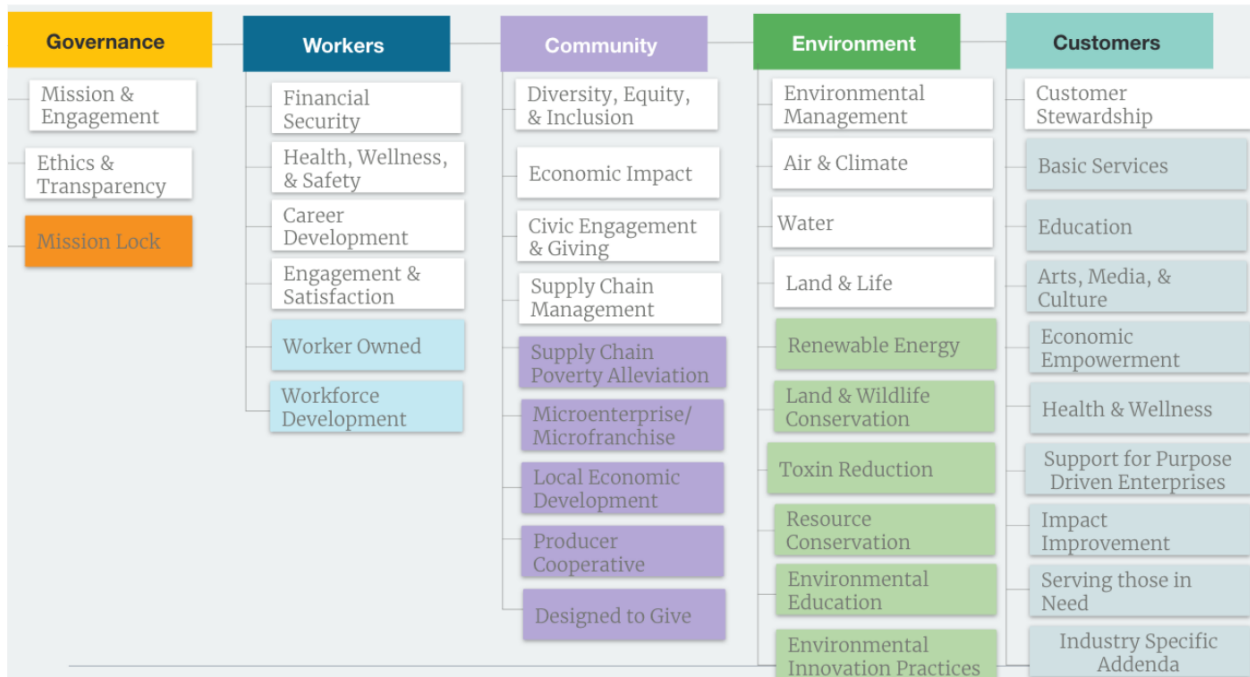


Figure 2: B Impact Assessment Structure (B Lab, 2020b)

4.2.1.2 Stringency of the standard

In terms of the level of detail provided by the standard to reduce misinterpretation of principles and criteria, the BIA can be generally defined as self-explanatory and straightforward for the most part. The impact assessment is mostly formulated in forms of questions with a closed answer section, i.e., multiple choice answers. The adopting entity can choose the answer that is most fitting for the company. In case of doubt, every criteria has a “learn more” section with additional information on the subject. The learn more section includes examples, additional explanations, and sources for general implementation (BIA, 2022a). The B Lab website provides a knowledge base page containing multitude of frequently asked questions, or addressing in more detail specific concepts that can be more difficult to comprehend (BIA, 2022b). There are options for more in-depth supportive resources and expert consultation (for additional fees), but it will not be necessary for misinterpreting the standard’s requirements. This section is considered detailed enough, although the BIA does not provide sets of indicators for every criteria.

With regards to the standard including quantifiable targets, many of the performance criteria of the BIA contain quantifiable measures. For instance, % of renewable energy used, or % of products covered by formal warranty. The higher the %, the higher score you get for the BIA. Because the standard evaluates the impact of a company on its stakeholders, for various sizes, industries and geographical context, it is standardised for that purpose. Thus, many of the quantifiable measurements are provided in relative terms (i.e., %) and not in absolute numbers (BIA, 2022a).

With regards to the inclusion of performance-based targets, the BIA consists almost entirely of performance-based requirements. For the adopting entity, the performance requirements are formulated in a way that they can be also used as performance targets. For example, “What percentage of energy use is produced from renewable sources”? Potential answers can vary between

0-100 %. The adopting entity can choose a specific performance criteria, e.g., 75 % renewable energy, and set it as a target.

Finally, with regards to the standard including management plans, it does not contain a framework for sustainable management plans. Although the BIA has an elaborated governance section, this is presented in the form of performance-based requirements, and not in the form of a management plan. However, the standard does encourage (and provide additional BIA points) for the adoption of external management systems, such as ISO 14001, which serves as a management plan (BIA, 2022a).

In sum, the final score given for B Corp is Stringent as shown in the table below.

Conditions	Key Indicators (preliminary)	Operationalisation of the Indicators	B Corp
Stringency of standards	Detailed principles and criteria	Principles and criteria are detailed enough to reduce ambiguity and misinterpretation contain at least three indicators	Indicator satisfied
	Quantifiable targets	The standard includes quantifiable targets	Indicator satisfied
	Performance targets	The standard includes performance-based targets	Indicator satisfied
	Management plans	The standard includes sustainable management plans	Indicator not satisfied

Standard	Score
B CORP (BIA)	Stringent (3/4)

4.2.1.3 Quality of the audits

Obtaining a B Corp certification essentially means obtaining three main things. First, the adopting entity has been verified for meeting the minimum required BIA score for social and environmental impact, it has agreed to a legal commitment to stakeholder governance, and agrees to disclosing the record of its performance in public to demonstrate accountability and transparency (B Lab, 2022f, p.15). In this assessment, the quality of the audits will evaluate the auditing procedure for the certification, looking at the auditing provided for the BIA alone.

Starting with the condition for third-party auditing, B Corp certification is conducted by two types of auditors, also referred to as *analysts* by B Lab. The two types of auditors responsible for certifying B Corp standards are referred to as *evaluation analyst* and *standard analyst*. The evaluation analysts conduct the first evaluation process to verify whether the adopting entity meets the basic requirements following the results provided by the BIA assessment. Once the evaluation phase is complete, a standard analyst conducts a more in-depth review of the adopting entity's compliance with the standard, involving verification of the documentation and evidence for compliance. Both are employed directly by the B Lab organisation. This also applies for the next condition, whereby the auditing firm is accredited by an independent certified organisation. The auditing firm for the B Corp certification is conducted under the full responsibility and judgement of the B Lab Global team for evaluation and verification. Thus, both the auditors and the auditing firm are not independent to the B Lab organisation, and do not account as third-party auditors as they essentially function as the same organisation, which both develops and issues the B Corp certifications (B Lab, 2022i; B Lab, 2022b; B Lab, 2020p). On the other hand, in terms of compliance with the standard's requirements, the standard prescribes 100% compliance with its 80 points minimum threshold. It is to note that the minimum requirement for 80 points is from a maximum total of 200 points that can be obtained overall. However, due to the holistic approach of the BIA assessing impact on all stakeholders, even best-performers cannot reach the maximum 200 points. Therefore, the determined threshold for 80 points has been set by B Lab to represent high social and environmental performance for the B Corp standard. With regards to compliance, it is explicitly prescribed that under no circumstances the certification will be granted if that threshold cannot be reached (B Lab, 2022e).

With regards to severe sanctioning in case of non-compliance, B Lab's policy is provided publicly separated between two different cases. First, if non-compliance with the 80 points threshold occurs due to lower performance, this will ultimately result in temporary upholding of the certification until compliance can be remedied and proven to be above the threshold. The second case regards complaints, fraud or international misrepresentation of the results or evidence involved in the certification. In that case, there will be an investigation launched under the Standards Advisory Council, and according to certain guidelines the outcomes of the investigation will be decided. In case of intentional fraud or misrepresentation of the evidence, the B Corp certification will be revoked indefinitely (B Lab, 2022k; B Lab, 2022a). As for audit frequency, B Lab has a mandatory requirement for all B Corps to recertify once every 3 years. All the audits are conducted online with the analysts and with the provision of required documentation and evidence. B Corp has an additional measure in place, whereby it conducts a random in-depth site review of 10% of its certified B Corps. This is conducted on a yearly basis (B Lab, 2022a). Finally, in terms of continuous improvement, B Lab repeatedly claims that B Corp certified companies are continuously improving. According to B Lab, continuous improvement occurs as a result of the ongoing improvement of the standards, together with the need for recertification every three years (B Lab 2022f). As a result, when users are to recertify after 3 years, theoretically they will need to meet more stringent standards. However, in fact, the standard does not have explicit requirements for continuous improvement. A certified entity with a BIA score of 80 can remain certified with the same score indefinitely (B Lab, 2022g). B Lab explains that the reasoning for continuous improvement is embedded in some of the criteria themselves which inherently require continuous improvement (e.g.,, setting a net zero target and demonstrating progress annually) (B Lab, 2022e). However, B Lab has no set guidelines for maintaining such criteria

specifically, and a B Corp certified is free to choose other criteria to maintain its 80 score. In sum, B Lab claims officially to have a standard for continuous improvement, but in practice, it has no concrete method or set boundaries to verify continuous improvement.

In conclusion, the auditing quality for B Corp certification is evaluated in this assessment as *Flexible*. This is because three out of the six indicators are satisfied.

Conditions	Key Indicators (preliminary)	Operationalisation of the Indicators	B Corp
Quality of audits	Third-party auditing	Auditing is conducted by third-party auditors and not by the organisation itself	Indicator not satisfied
	Auditors accreditation	The auditor and/or auditing firm is accredited by independent certified organisations	Indicator not satisfied
	Compliance with criteria	The standard requires 100% compliance with its criteria	Indicator satisfied
	Sanctions for non-compliance	Severe sanctions in case of non-compliance	Indicator satisfied
	Audit frequency	Audits are conducted on a regular basis	Indicator satisfied
	Continuous improvement	The standard demands continuous improvement towards recertification procedures	Indicator not satisfied

Standard	Score
B CORP (BIA)	Flexible

4.2.1.4 Accountability and transparency

Indicator: The scheme periodically reviews its performance with regards to its stated objectives and achievements, and publicly discloses this information in a clear, and detailed fashion

Accountability

B Lab claims to be a highly credible and accountable organisation. As stated by B Lab: “Like all of our work, our communications are rooted in the foundation of B Lab’s rigorous and continuously improving standards for B Corp Certification. The hope and optimism of our narrative is rooted in

credibility and accountability” (B Lab 2022f, p. 12). Although B Lab repeatedly claims high accountability as an organisation, in practice, there are limited detailed public disclosures concerning B Lab’s performance to confirm such claims. In this regard, B Lab has two main publications providing some information with regards to reviewing its performance towards achieving its objectives, or advancing the B Corp movement. In short, the publications are formulated in a positive language, with little constructive feedback or scrutiny. Moreover, they do not contain sufficient detail to and therefore leave little room for accountability to take place towards B Lab as an organisation.

The first relevant publication overarching the entire B Lab organisation and its achievements is the B Lab annual reports. B Lab Global publishes an annual report which essentially provides quantitative data on the global state of the B Corp standard and its application worldwide. The report shows some numbers and figures with regards to the last annual progress, and setbacks. There is mention of areas of improvement concerning equity dimensions and short overviews of financials, revenues, and expenses ratio. However, the report is not sufficiently detailed (27 pages long) or objective. It mostly contains headlines, personal success stories of B Corp companies, and altogether is formulated in a highly positive language (B Lab Global, 2021a). An additional form to provide accountability is through the SDG Action manager tool. Developed in cooperation between B Lab and the UN Global Compact, this tool provides a web-based solution for businesses to manage their impact and work towards the sustainable development goals towards 2030. Beyond serving companies individually in better managing their performance and aligning them with the SDGs, it can serve as a mechanism to periodically review B Lab’s progress towards its objectives. The reason for that is because the tool combines the BIA standards with relation to the internationally recognised SDGs. In that way, a more objective assessment can be conducted on B Lab’s performance, which in turn may foster accountability. As a limitation, not all B Corp companies use the tool as it is not a mandatory requirement for adopting entities to become certified (UN Global Compact, n.d.; B Lab, 2022m; B Lab, 2020n). The results from the collective performance of B Corp companies using the SDG Action Manager are published annually on the ‘SDG insights report’. The 2021 SDG insights report concluded that similarly to previous years, individual efforts of B Corp companies are not sufficiently addressed. More specifically, it concludes that operations efforts on a company-level are well addressed, but in order to reach a bolder impact, companies must strategically address their value chains and business models in order to fully achieve the SDGs. It also states that much of the work of companies is focused on marketing and reporting to the SDGs, and rarely addresses actual change (B Lab, 2021ct, p.13). Although the report is made transparent and accountable on the overall performance of certified B Corps, it only includes those who voluntarily chose to use the tool, amounting to only part of the B Corp certified companies. The report has data on about 1,700 companies, while there were over 4,000 B Corps at that time (B Lab, 2021c). In conclusion, B Lab has limited publications concerning its own performance as an organisation. The ‘B Lab annual report’ and the ‘SDG insights report’ offer a limited space for accountability measures on the B Lab organisation itself as the disclosures are focused to a large extent on the certified B Corporations’ performance. Following this assessment, B Lab is estimated to perform poorly in terms of its accountability as an organisation.

Transparency

In terms of transparency, B Lab has all the conditions of this assessment publicly available and with sufficient detail. Starting with the standard-setting procedures (i.e., referring to the development of the BIA), they are to a large extent clear and made publicly available. Although B Lab has overseen numerous iterations to the BIA (6 official versions), the publicly available information regards the development procedures of the latest version, published in 2019 (B Lab, 2022e; B Lab, 2022t). Followed by the standard's general requirements for certification, they are also to a large extent clear and made publicly available. Starting with the performance requirements listed in the BIA, as explained, they are relatively simple and comprehensive, and are made for public use. B Lab expressed the importance of providing the BIA framework to all businesses wishing to manage and improve their societal impact, in order to stimulate a systemic change. Although in 2020 there were about 4,000 certified B Corp companies, while the BIA was used by over 150,000 users worldwide (B Lab, 2020i). With regards to the overall requirements for certification, on B Lab's website, simple and clear explanations of the processes are presented. A list of 15 essential steps is laid out, including links to more in-depth explanations of the procedures. The requirements go beyond the BIA itself, such as legal requirements, risk review, disclosure, evaluation phase, and more (B Lab, 2022a; B Lab, 2019a). Concerning the overall review (auditing) process and methodology, it is made publicly available with clear steps and expected timelines. Additionally, to the certification requirements, the reviewing process elaborates on six different reviewing phases including the expected time of revision, the revision procedures, and the auditors' roles in the process. More specific methodologies for varying types of businesses are also presented publicly, with distinction between their size (e.g., micro enterprise, under 50 employees, between 50 and 249 employees, and so on) (B Lab, 2022b). It also provides more detailed distinctions, such as for multinational companies, whereby a special committee is formed, namely the Multinational Company Standards Advisory Council Subcommittee, which focuses on specific standard applications for such companies (B Lab, 2022s). The methodology or additional applications formed by the subcommittee are not publicly accessible. As for the assessment (or compliance) results of B Corp certified companies are available online on B Labs website. They are referred to as the BIA score on the different impact areas. Every company that undergoes approval of certification has a company profile page which summarises the certification results and the company's positive social and environmental impact. Overall, the profile page provides some general descriptions about the company and the main activities (and data) on its contribution to sustainability. Additionally, the profile page presents the exact BIA score that the company has on each category, and sub-category (B Lab, 2022g; B Lab, 2022e; B Lab, 2022a). The information disclosed regards privacy rights of the B Corp certified company, thus no detailed information about the employees or negative elements are presented (B Lab, 2022q). Finally, as for the decision-making procedures, although they are complex, B Lab has published several sources explaining such procedures which are elaborated in the following chapter. Concerning the evaluation of transparency in this assessment, B Lab has satisfied all five indicators for transparent behaviour, thus is rated as Very Transparent.

4.2.1.5 Stakeholder participation and decision-making procedures

Board of Directors

B Lab is governed by an independent set of Board of Directors. Their main function is to approve the organisation's budget, strategy, and structure and they carry the final decision-making processes of

the organisation. The council members are directly appointed by B Lab's Board of Directors (B Lab, 2022j).

a. The type of actors

The Board of Directors consist of mostly founders or senior executives originating from the B Lab organisation. Some of the Directors have past or current experience as co-founders or chairpersons in other organisations (B Lab, 2022j).

b. The region of origin (based in)

The Directors of the Board are 14 in total, consisting of 8 men and 6 women. The vast majority are based in the United States (10 Directors), and 3 in the United Kingdom, and 1 in the Netherlands (B Lab, 2022j).

Standards Advisory Council (SAC) - main members

The second most powerful decision-making entity of B Lab after the Board of Directors is the Standard Advisory Council (SAC). This is because the Board of Directors, who have the "ultimate decision-making authority", are said to take on decisions followed by the council's recommendations (B Lab, 2022j).

According to B Lab, the council is independent of the B Lab organisation, and consists of a global and diverse multi-stakeholder group, with a rich background and expertise in responsible and sustainable business. Their main role is to contribute to advancing the overarching goals of B Lab to both assess business's impacts and utilise them as 'a force for good'. Moreover, the council consists of two subcommittees; the *Main Standards Advisory Council Subcommittee*, and the *Multinational Company Standards Advisory Council Subcommittee* (B Lab, 2022s). The first subcommittee overlooks the certification requirements and standards, while the second subcommittee oversees particular elements for large (multinational) companies. In summary, the council's main responsibilities are to oversee various elements of the standard and certification, including the performance requirements, content and scoring, development of position statements (for controversial issues), determining risk eligibility, approving BIA iterations (of regional working groups), and arbitrating appeals of interpretation (B Lab, 2020d).

a. The type of actors

The members have relatively diverse functions and backgrounds. Most of them act as senior consultants in fields of sustainability, business, peacekeeping, and social equity and justice. Others are founders and directors of various private companies including impact investing, textile, training and coaching, banks. And some member have also senior positions in public agencies, including the United Nations Global Compact, public Colleges, and social innovation organisations. According to B Lab, the members come from diverse backgrounds including non-profit sector, academia, government, and the private sector (B Lab, 2022i).

b. The region of origin (based in)

15 members of which 7 are men and 8 women. With regards to the countries in which the members are based, the majority goes to the United States with 6 members, and 1 member each from the following countries: Canada, Brazil, France, Germany, Australian, Kenya, United Kingdom, Belgium, and Chile. Out of the 15 members, there is a vast majority of 12 members based in the Global North, while only 3 members coming from the global South (Kenya, Brazil, and Chile) (B Lab, 2022i).

Quality of participation

Indicator: The scheme has strategies and methods that incorporating elements for effective participation of stakeholders in decision-making and procedures.

As previously mentioned, the final decision-making is conducted by the *independent* Standard Advisory Council, empowered by B Lab's Board of Directors. However, B Lab claims to have a complex mechanism to involve stakeholders throughout the decision-making processes in the development and improvement of the B Corp standard (B Lab, 2022a).

Stakeholder Governance

B Lab repeatedly claims to promote an international corporate governance alternative to *shareholder primacy* (prioritising shareholders' profit above all else). The alternative, so called *stakeholder governance* promotes the idea of corporate commitment to all its stakeholders, driving forces to combat inequalities, environmental degradation, and social fragmentation (B Lab, 2022f, p.15). Moreover, B Lab explained that their continuous improvement and revision of the B Corp standard and its core requirements are aligned with following its vision of a regenerative, just, and sustainable economy to all communities affected by businesses. Such need for continuous improvement and revision of the standard has been addressed by B Lab's stakeholder governance approach, where its principles transcend throughout the entire decision-making process and procedures for the development and improvement of the standard. A significant element where this approach takes place can be observed through the numerous partnerships with so-called independent stakeholders, including the Standard Advisory Council and the other independent entities such as regional councils, working groups consisting of representatives from companies, civil society, academics, and more. These partnerships amounted up to 1,300 stakeholders to this date who were actively engaged in the standard decision-making procedures for developing and improving the standard (B Lab, 2021a, p.7.). In order to effectively manage and use diverse stakeholders to advance the vision of the standard, B Lab has developed a stakeholder engagement and participation mechanism for its various decision-making processes, which are elaborated in the following chapter (a visual summary is presented on figure 3).

a. Regional Standards Advisory Groups

One of the main organisational entities for B Lab to continuously improve and specialise the B Corp standard is through regional standards advisory groups. They focus majorly on providing best practices, context, and relevance on the diverse markets worldwide. Essentially, they act as a form of market-specific advisory bodies by providing both input, advice, and feedback on the B Corp standard. The regional councils are one of the main mechanisms for providing stakeholder feedback to decision-makers, as they are not decision-making bodies themselves. The regional groups operate in various locations around the world, including; Asia, Australasia, East Africa, Europe, Latin America, and the United Kingdom (B Lab, 2022I). In terms of the various stakeholders allowed to participate in the consultation process and formulation of recommendations, B Lab has numerous requirements. In short, the stakeholders must have a time commitment to ensure dedicated participation, and they should have the expertise for the topic of evaluation. Finally, they can be

diverse in terms of background, ranging from academics, civil society representatives, business leaders, and so on (B Lab, 2022e).

b. Working groups

In addition, the advisory groups are responsible for forming and managing international working groups of experts who work on industry or topic-specific areas in order to improve the B Corp Standard. Working group topics are diverse and include areas such as health and safety, multinational companies, public market, higher education institutions, financial services, green building, and more. Although the working groups act as a form of council for decision-makers, stakeholder governance principles are taken into account throughout the process, resulting in continuous work alongside stakeholders from industry and academia to provide recommendations for improving the standard, using a similar approach to the regional advisory groups. The recommendations are commented upon by 'stakeholders commenter', followed by empirical 'company testers' (B Lab, 2022f).

c. Periodic revision and iteration of B Corp standard performance requirements

The two previous processes occur regularly and continuously, however this one regarding periodic revision of the certification occurs during the phase of revision before launching an updated version. Every three years a new revised version of the certification is published to enhance the BIA scoring, insight, consistency, and clarity, while keeping up to date with best practices. Led by B Lab's Standard Management Team, the process involves a few major steps. In short, the process always receives final approval by Standard Advisory Council (SAC), but is iterated and evaluated multiple times by independent stakeholder groups with relevant expertise in the fields of governance, labour, environment, justice, equity, diversity and inclusion, impact measurement, and assurance, in both regional and global context (B Lab Global, 2021c).

As illustrated in figure 3, the general process and the main topics of revision provided by the stakeholder groups are taken for consideration, and are forwarded to the SAC for approval. The Standards Management Team will also draft proposals using so called *community and stakeholders feedback*, and the use of experts where needed. This process selects participants who have expertise in the relevant fields in accordance to the regional context (B Lab Global, 2021c). Once the draft is finally approved, it will be incorporated in the BIA, however, will still have a *public comment period* or a *collaborative knowledge sharing*, whereby the broader public can still review and provide feedback on the applied changes. This also includes feedback and recommendations from industry's best-practices and on-the-ground experiences. In addition to that, B Lab temporarily recruits *alpha* and *beta* testers to provide area-specific feedback (in concentrated focus groups), and overall feedback on the entire draft, respectively (B Lab, 2020a; B Lab, 2022d; B Lab 2020o).

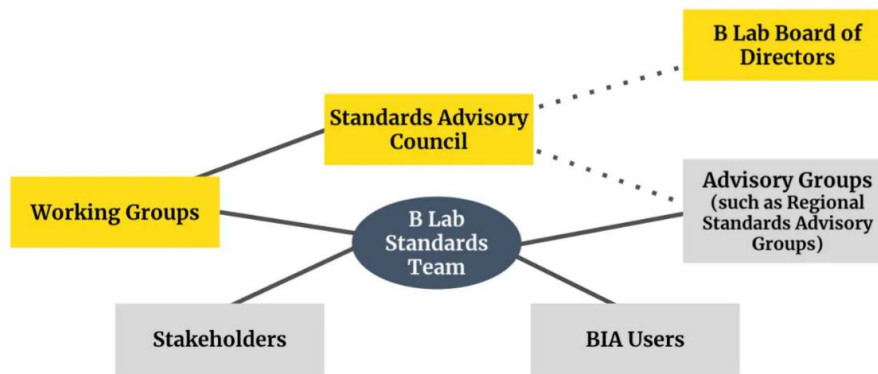


Figure 3: Map of the decision-making processes of the B Corp certification revision (B Lab Global, 2021c)

In summary, in terms of involving stakeholders in the diverse decision-making procedures for developing and improving the B Corp standard, B Lab appears to have incorporated throughout the entire processes the principles of stakeholder governance. This can be represented in the multitude of independent partnerships formed in different regions of the world, involving stakeholders at different levels with complementary competencies and expertise, including the final say of the general public. B Lab has developed a complex mechanism which facilitates wide incorporation of engagement to be captured into the decision-making procedures and incorporated in the standard development and improvement.

4.2.1.6 Distributive equity

In general, the B Corp movement is inherently driving the concept of *stakeholder governance and the concept of a benefit economy* lifted by the collective change of businesses acting as “a force for good”. The principles of these concepts (as previously explained) are at the core of the B Corp movement and the BIA. This requires that ‘all stakeholders’ interests are to be considered in their respective business operations and is also referred to as the *stakeholder governance* approach (B Lab 2022f).

The standard’s prescription to consider all actors’ equitable distribution of costs and benefits, including actors over different space and time, is embedded within the BIA itself. The focus on stakeholder benefits in the BIA stems from the founding principle of the B Corp movement (or *benefit economy*) whereby the interest of “all stakeholders” it to be considered and prioritised, as an alternative to *shareholder primacy*, where shareholders profits are prioritised above all else. As previously mentioned, the BIA focuses on four main types of stakeholders (see figure 2): workers, community (including suppliers), environment, and customers.

Starting with *groups*, the BIA considers a wide variety of groups to be considered under distributive justice. For instance, looking at workers, the criteria demands considerations of all types of workers: full-time, part-time, temporary, and contracted labour, regardless of function or seniority. Beyond prescription of distributive justice with regards to worker function, the BIA also provides additional emphasis on marginalized and under-represented groups (e.g., gender, ethnicity, minority, sexual

orientation, socio-economic, etc.) (BIA, 2022a). Under the principles of justice, equity, diversity, and inclusion (JEDI) (B Lab 2022f), and governing best-practices for all workers (B Lab, 2020k).

With regards to distributive justice over space, the standard considers a variety of stakeholders which are involved or affected by the company's activities across a different geographical spaces. These type of actors include the company's customers, suppliers, outsourced labour, and the community of people and businesses that are affected by the company's activities. With regards to actors' distributive equity over time, the BIA does not explicitly mention future generations as targeted actors for equity, although it is inherently embedded within many of the environmental and social performance requirements of the BIA. For instance, with regards to environmental management practices, any measure that reduces the company's ecological footprint has the potential to benefit future generations (and reduce associated future societal costs, e.g., from mitigation of air pollution or protection of natural habitats). With regards to social practices, community empowerment measures can contribute to alleviating a community from poverty, with potential to transcend positive impact to future generations. For example, a large B Corp company can invest in community support initiatives and local suppliers (BIA, 2022a).

As for the standard prescription for designing a fair compensation and mitigation mechanism, this is not explicitly required by the B Corp standard. However, additionally to the BIA, the B Corp standard also requires an additional important step towards certification, that is by a legal binding obligation, to consider and be legally accountable to all stakeholders under the stakeholder governance model (B Lab, 2022v; B Lab, 2022r). According to B Lab, such 'legal obligations' ensures that the present and future leadership of the adopting entity is committed to the B Corp movement's principles (B Lab, 2022w). These principles involve the transformation of business's legal and policy behavioural and cultural shifts and the adoption of *benefit corporation laws* to embed the stakeholder governance principles while also having a legal structure to sustain positive impact and accountability for all stakeholders.

Although such 'legal obligations' are not applicable in jurisdictional court, they do stand as a rigid requirement for acquiring and maintaining the certification itself. The legal obligations demands from the adopting entity to revise its corporate governance structure to the principles of stakeholder governance (B Lab, 2022e; B Lab, 2022k). Thus, the legal requirements do not serve explicitly as a distributive equity mechanism, although it may serve as the founding design for establishing a compensation and mitigation mechanism to address distributive equity.

With regards to the standard providing steps to adapt management to improve social and distributional outcomes, in short, the standard does not provide such guidance. Looking at the B Corp standard (the BIA or the legal agreement), it does not prescribe to the adopting entity *how* distributive justice ought to be implemented. However, it does provide a clear description of *what* the outcomes should be. The indication of *what* the outcomes should be is embedded in the BIA performance requirements, following governance best-practices and other equity metrics including JEDI (B Lab, 2020k). The BIA contains a wide range of social equity and distributive justice performance requirements. For instance, the requirements address diverse ownership and leadership (promoting marginalised groups), inclusive work environments, high-low pay ratio

(prevent abnormal salary inequalities), and assess how companies measure diversity (and provide correction for best-practice), and so on (BIA, 2022a).

As for the legal agreements requirements, it is even more broad than the BIA. B Lab does not prescribe *how* the legal agreement should consider the stakeholders, and it also does not provide *what* should be considered in the legal agreement itself. The specific prescription in the legal agreement is to be elaborated by the local jurisdiction and be adapted to the company’s geographical area and specific context (B Lab, 2022v). In conclusion, the B Corp certification does not provide clear concrete guidance or steps for the management to adopt social and distributional outcomes. This is understandable enough due to the context-specificity of the standard. However, the BIA serves as a comprehensible model for best practice. A step-by-step plan is not prescribed by the standard but can be formulated individually by the adopting entity, according to the chosen targeted performance requirements they desire to meet (B Lab, 2020k). And the legal agreement serves as a legal structure to set the foundations for such a mechanism, but it is also open to some interpretation and does not provide concrete steps for management.

In sum, many of the BIA’s performance requirements can serve by prescribing the desired targets to be achieved, while the legal agreement can indirectly require the adopting entity to develop and establish a distributive equity mechanism to uphold stakeholder governance obligations.

4.2.1.7 Uptake

Membership size and type:

B Corp certified companies account to 5,845 companies in 2022, representing 158 different industries, spanning over 85 countries (B Lab, 2022h). B Lab does not have official published data with regards to the disparities of B Corps according to industry size, sector, and geographical location. Using data from research conducted by Kim (2021) on B Corps, during February 2020, it was found that B Corps are significantly more prevalent in smaller sized companies and in the Global North.

Starting from members size, B Corp certified companies landscape is predominantly dominated by small-sized companies (accommodating less than 50 full-time employees), accounting for 83.5% of the total number of B Corp certified companies. Following suit are small-medium sized companies (between 50-249 employees) account for 11.9%. Medium to large sized companies (250 employees and above) account for only 4.7% (see table 2). About 50% of the B Corp certified companies are service-based companies with a minor environmental footprint (Fonseca et al., 2021).

Size of enterprise based on number of full-time employees	Small enterprise (under 50 employees)	Small-Medium enterprise (50-249 employees)	Medium enterprise (250-999 employees)	Large enterprise (1000+ employees)
Relative number of B Corps (%)	83.5	11.9	3.4	1.3

Table 2: Overall size of B Corp certified companies during February 2020 (Kim, 2021)

With regards to overall geographical representation of B Corp members, in February 2020, B Corps were present in over 70 countries. In terms of geographic disparity of that same year, the wide majority of B Corps were based in North America (United States, and Canada), accounting for about 50% of the total certified B Corps. Following are B Corps in Europe and South America, accounting for 18.6% and 15.6% respectively (see table 2).

World Region	United States	Europe	South America	Canada	Oceania	Asia	Africa	Total
Number of B Corp certified companies in proportion to the total number (%)	44.0	18.6	15.6	8.9	8.4	3.3	1.2	100

Table 2: overall geographic representation of B Corp certified companies during February 2020 (Kim, 2021)

Laggards

As the B Corp movement desires to promote a systemic change of the economic system, B Lab is promoting an approach to create a positive impact for all businesses. This means that the standard must be with some high degree of flexibility and accessibility to incorporate a wide variety of businesses of different sectors and geographies. B Lab repeatedly explains how its certification is a rigorous process, and will not compromise on its credibility or transparency by taking this approach. To put in perspective, B Lab claims that adopting entities usually have significant work to do towards compliance with the standard. On average, businesses score in a range of 40 and 100 points, out of the total 200 points available (B Lab, 2019b). While the median score on the BIA is 55 points (B Lab, 2022n). This information suggests that companies are at unequal starting points in terms of their environmental and social performance, and many have significant improvements to do before being eligible for certification. In order to increase uptake amongst laggards, B Lab has developed various methods and mechanisms for promoting flexibility and accessibility of its B Corp standard. The methods include improved verification capacity for new applicants wishing to certify, improved differentiation and specialisation of the standard according to needs and characteristics of adopting entities, inclusion of controversial industries, and high interoperability with competing standards.

Starting with improved verification capacity for new applicants, B Lab has expressed the need to reduce the waiting time of new applicants wishing to go through the certification process.

This follows significant growth in its intake rates for new adopting entities wishing to certify. For illustration, between the years of 2020-2021, B Lab has experienced an increase of 38% in new applications for certification compared to the previous year. This amounted to a waiting line of about 6,000 potential adopting entities, whereas B Lab had only 4,300 certified companies in total at that time (B Lab 2021a, p.8). Moreover, B Lab is experiencing increasingly higher workload for many new applicants, especially ‘low-performers’ (who initially score a relatively low BIA score).

Especially with low-performers adopting entities, they may apply for the certification process without complete comprehension of the process requirements, including the necessary documentation, legal requirements, and other procedures necessary during the certification phase. As a result, this slows the verification and certification processes, congesting B Lab's certifying capacity, which consequently impedes uptake (B Lab, 2022n). In order to deal with such congestion, B Lab attempts to reduce the waiting time for new applicants. To do so, it has introduced a new business partner (external organization) to act as a verification partner (B Lab Global, 2022). The partner assists with the verification processes of B Lab Global, without compromising the reliability of the verification process (B Lab, 2022n).

A more significant step designed to facilitate uptake of laggards is through differentiation and specialization of the standard. This takes form in terms of the B Corp certification accommodating more specialised features, characteristics, and requirements to accommodate the diverse needs of adopting entities. B Lab refers to such differentiation process as *pathways to certification* or *approach to certification*. Such diversified approaches to certification considers applicants differently according to various factors and characteristics, such as distinction between company size, revenue, industry sector, scoring performance, and ownership structure.

Starting with the BIA, B Lab is continuously working on diversifying the performance criteria to be more specialised and relevant for different industry sectors and geographic related context. In practice, this includes content variation, structure and scoring of the BIA, and an adapted assessment tracks that fit better some of the adopting entities characteristics (B Lab, 2022e). Such specialization is developed by the *Regional Standards Advisory Groups* who have local teams working with local experts to better understand local-context specializations which are incorporated every few years in the new versions of the standard (B Lab, 2022e).

This is crucial for incorporating laggards throughout different geographies, especially those based in the Global South (e.g., Sistema B Peru, or B Market Builder Southeast Asia). As the standard is mostly prevalent in the Global North, many of its performance criteria initially may not be applicable between geographies (B Lab, 2022e). This includes recognising incomparable gaps and differences between companies around the world, with attributes to their respective geography such as local infrastructure, jurisdictions, national regulations, and so on. With a similar line of reasoning, specializing the standard to different industry sectors may also be of value to incorporating laggards. This is done by the B Lab *Working Groups* (stakeholder participation chapter) who advance research and improvement to the BIA by specializing in different industries and sectors (B Lab, 2020j). These specializations may recognise that industries overgo through different challenges that may not be applicable in the same way as other industries (B Lab, 2022e).

An additional *pathway to certification* occurs once a company enlists for the certification process. Once enlisted, the certification team will provide recommendations for the adequate *certification pathway* based on company size and annual revenue (B Lab, 2022a). The diversified methods includes six different pathways, adjusted for start-ups, small enterprise, small-medium enterprise, medium enterprise, large enterprise, and multinationals (B Lab, 2022u; B Lab, 2022m; B LAB, 2022a). The diversification goes further concerning companies labelled as 'large enterprises businesses'. Such large enterprises may be compartmentalised to different groups, therefore B Lab offers certification

possibilities intended for the *parent company*, or certification for *affiliated entities* to the parent company. This includes franchises, divisions or subsidiaries (also known as daughter companies, which are essentially owned or controlled by a parent company). These differentiated methods facilitate uptake by reducing organisational obstacles associated with large enterprises (B Lab, 2022i; B Lab Global, 2021b).

Additional element of the *pathways to certification* promotes diversified cost and payment requirements between adopting entities. The main distinctions are also determined based on company size and its annual revenue. Based on those metrics, adopting entities will pay a predetermined application and membership fee that is aligned with their financial capacity (or size). However, the distinction is designed in such a way that a company with similar employee size, but with different revenue levels, will not be charged the same for the certification (B Lab, 2022a; B Lab, 2022i). Although not mentioned explicitly, the financial-related implications for costs diversifications can positively contribute to increase accessibility of companies from the Global South and across geographies, specifically by capturing companies with comparatively lower revenue.

This is of course no easy task to incorporate such diversification and specialization in the standard. However, B Lab is conducting continuous research together with partners (B Lab, 2020e), focused on ways to better incorporate businesses from the Global South in its standards and the B Corp movement (B Lab, 2020e).

Moreover, B Lab has an additional uptake approach which incorporates laggards seen as *controversial industries*. Such controversial industries may be seen as so by the general public, and may range between industries operating in sensitive environmental areas, to tobacco or cannabis-related products, to banking in Switzerland, and so on. B Lab has a clear position statement with regards to laggards from controversial industries. It states that the B Corp movement aspires to transform the current economic system, therefore, companies operating in controversial sectors must also be part of the transformation. B Lab recognises the controversial nature of these companies and has the right to deny participation for some (B Lab, 2022s). On the other hand, B Lab also recognises the potential for such controversial industries to actively participate in the B Corp movement. By doing so, B Corp standard may enable laggards from controversial industries to meaningfully measure and address their negative impacts. The decisions on controversial industries are regulated by the Standard Advisory Council (B Lab, 2022c).

Finally, B Corp standard has high interoperability in terms of recognising other SCS as part of its overall assessment. As part of B Lab's objective, it intends for the BIA to serve also as a complementary system for other SCSs and reporting frameworks (e.g., the Global Reporting Initiative) instead of substituting them. Such SCS or reporting frameworks can be used to align or expand compliance with the B Corp certification, or vice versa, such as using the BIA initially to implement other standards. This results in significantly reducing certification duplications, involving less procedures and resource investment for adopting entities wishing to certify for the B Corp standard or willing to expand their performance using other standards or frameworks (B Lab, 2020k; B Lab, 2021a; B Lab, 2021b). For example, many of the social-related performance criteria of the BIA are aligned with the Fair-Trade certification scheme. Therefore, an adopting entity which is already certified for Fair Trade, may have part of its social criteria recognised by B Lab, such as the entire section for supply chain alleviation (B Lab, 2020c).

In sum, B Lab has a variety of methods to promote uptake of laggards through more flexibility and accessibility approaches. Although some of them are still in early phases of development, B Lab is actively and continuously working towards diversifying its standard to better meet the needs of all its adopting entities, especially laggards. B Lab's *pathways to certification* has the potential to facilitate uptake by reducing certification inefficiencies and barriers, such as bureaucratic or financial-related ones. And in terms of the BIA's content, it is continuously improving to meet more relevant and effective requirements, which in turn assists recognition of sectoral and geographical differences and associated gaps between adopting entities starting points.

4.2.2 ISO 14001:2015 standard

ISO organization and the idea of an Environmental Management System (EMS) are important part of the analysis, hence they will be introduced.

ISO Organization

The International Standardization Organization (ISO), established in 1947, is an independent, non-governmental, worldwide federation for standards development. ISO is regarded as a global leader in its field, and consists of national standards bodies (or *ISO member bodies*) across 167 countries (ISO, 2022). ISO's central secretariat is based in Geneva, Switzerland, and with its national *members* worldwide it generates consensus-based standards to support innovation and provide solutions to global challenges. ISO is regarded as a global leader in the field of standards development, and following its consensus-based approach it serves as a neutral platform dedicated to its credibility as an organisation (ISO, 2020).

ISO has developed numerous standards over the years to develop standards that address global supply chain challenges. ISO develops and sells its standard together with its national member bodies. There is one body per country and they are independent organisations affiliated to ISO, and are tasked with assisting revision and creation of new standards on a national level, while also having voting rights within ISO decision-making processes. There are also correspondent members who do not have voting rights but can observe ISO's processes and sell the standards in their appropriate nation (ISO, 2020). Although ISO has developed hundreds international standards, there are 16 types of management system standards (ISO, 2022). Amongst the standards, the most adopted one is the ISO 9001:2015, Quality management system (QMS), followed by ISO 14001:2015, Environmental Management System (EMS) (ISO, 2022a).

Environmental Management System (EMS)

An EMS is defined by ISO 14001 as "part of the overall management system that includes organisational structure, planning activities, responsibilities, practices, procedures, processes, and resources for developing, implementing, achieving, and maintaining the environmental policy" (ISO, 2015b, p. 4). In essence, an EMS acts as a framework containing a set of processes and practices which guides an organisation to increase its operations efficiency and reduce its environmental impacts. The framework assists companies in managing and achieving their environmental goals in a systematic manner to review and control of its operations. Moreover, an EMS is tailored to a specific company's goals and processes, thus does not provide specific levels of environmental performance that ought

to be met. Implementing an EMS comes with a series of benefits for an organization in terms of its environmental and business performance, including fulfilment of national compliance obligations, improved environmental and operational performance and organisational efficiencies, and the achievement of environmental objectives (ISO, 2015b).

The ISO 14001 (2015) standard (also referred to as the ISO “norm”) is a voluntary-based standard for companies seeking to implement an EMS. The standard is voluntary and assists companies seeking to implement an EMS. It is applicable to all types of organizations regardless of size, industry, sector, or geography. Moreover, the standard can be applied on any scale depending on what the adopting entity determines, including specific activities, products or services, or the entire operations of an organization, with considerations of a life cycle perspective. The standard is set in such a way which establishes a common reference for the certified entity to communicate about environmental management across its wide variety of stakeholders, including customers, regulators, and the general public (ISO 14001:2015).

ISO 14001 is part of the ISO 14000 family of standards. Apart from ISO 14001 which provides the full requirements for an EMS and guidance for use, and is the only certifiable standard in the family, whilst there are more standards, for example ISO 14004, 14010, 14011, 14012, and 14031. The other standards assist in the implementation of ISO 14001, and serve as additional supporting guidelines on various sections and requirements needed for implementing the EMS. For example, ISO 14004 consists of general guidelines on principles, systems and support techniques (for implementation), while ISO 14010 provides more in detail guidelines and principles for conducting Environmental Auditing.

ISO 14001 contains 10 clauses and is structured similarly to all other management systems as shown in table 3.

Clause 1	Scope
Clause 2	Normative references
Clause 3	Terms and definitions
Clause 4	Context of the organisation
Clause 5	Leadership
Clause 6	Planning
Clause 7	Support
Clause 8	Operation
Clause 9	Performance evaluation
Clause 10	Improvement

Table 3: ISO High Level Structure (ISO, 2015b)

4.2.2.1 Sustainability dimensions

Indicator: Define the sustainability dimensions addressed by the standard, as found in its assessment criteria or requirements

ISO 14001 Environmental Management System (EMS) is by definition a standard that focuses on the environmental pillar of sustainability. The standard does not prescribe specific environmental criteria or requirements. Instead, the standard requires that the adopting entity identifies and establishes its own assessment criteria (i.e., *compliance obligations*) relevant to its context and scope of certification. With regards to its context and scope, and in alignment with the adopting entity's environmental policy, it establishes environmental objectives that reflect both significant environmental aspects and legal obligations, considering a risk and opportunity-based approach. These are translated into compliance obligations to be fulfilled without exclusion (ISO, 2015b). Therefore, the self-established compliance obligations of an adopting entity are essentially the sustainability dimensions addressed within the implementation of the EMS.

The main processes by which an adopting entity determines its sustainability dimensions (compliance obligations) and requirements are the following:

First, with regards to the sustainability dimensions, clause number 4 must be fulfilled by the adopting entity, and provides understanding of the *context* within which the organisation operates. More specifically, with regards to the environmental impacts that affect the organisation, and how the organisation affects the environment (clause 4.1). The standard prescribes the adopting entity to conduct a broad research assessment (mandatory), and provides suggestions (not mandatory) for different environmental-related dimensions to be researched (e.g., climate, land use, biodiversity, resource supply, etc.) in combination with external societal factors (economic and cultural factors, legal requirements, and available technologies, etc.). This assessment is conducted on a strategic high-level, and requires a conceptual understanding of the most important internal and external factors that affect (positively or negatively) the organisation (clause 4.1). This includes understanding the needs and expectations of all stakeholders affected by the organisation's activities (clause 4.2). This requirement provides the understanding of such stakeholder needs and expectations, and translates them into compliance obligations.

Following the understanding of the *context* and the stakeholders' needs (4.1 and 4.2), the adopting entity must define the *scope* for which it intends to comply with and be certified for (clause 4.3). The *scope* of the EMS can be chosen freely by the adopting entity for any scale of the organisation's activity. The scope can be set on an individual or collection of procedures, products, or services, or include the entire organisation. Once the organisation has chosen and defined its scope, it must adhere to comply fully with the relevant requirements, and will be certified solely for the scope it set out for its EMS. After understanding the context in which the organisation operates and deciding on the scope, the adopting entity defines the EMS it wishes to establish and maintain (clause 4.4) (ISO, 2015b; ISO, 2016).

Following clause 4, where the context (in macro) has been understood and established together with a defined scope, the following step is to determine the specific environmental aspects that require intervention and to be complied with, hence the establishment of sustainability dimensions to be addressed (clause 6). This clause acts as a form of risk assessment, whereby the adopting entity investigates (in-depth analysis) the relevant environmental issues that pose both risks or provide opportunities to the organisation's operations and development.

As a result of the requirements in clause 6, the adopting entity will have determined all the environmental issues that the organisation can and ought to address as a result of identified risks and opportunities. These environmental aspects will be translated into compliance obligations for which the adopting entity is required to fully comply with (ISO 2015b; ISO, 2016).

Devising the environmental compliance obligations must consider a *life cycle perspective*. This refers to products and services that the organisation can control or influence, in order to mitigate or reverse associated environmental impacts. Looking at all “life stages” of a product or service entails a broad understanding of its environmental impacts from extraction or inception, to use, and to final disposal (ISO, n.d.). In sum, the ISO 14001 EMS prescribes adopting entities to define and establish their own assessment criteria as a result of understanding the context in which the organisation operates, and in tandem with its stakeholders expectations and needs, looking at significant environmental risks and opportunities, using a life cycle perspective. This entails that the sustainability dimensions are strictly covered on the environmental pillar of sustainability. The environmental aspects addressed will highly vary depending on the context of the organisations and the relevant environmental issues it can control or influence within the scope of its assessment, as well as taking into account internal and external factors such as the concerns and needs that its stakeholders have (ISO, 2019).

4.2.2.2 Stringency of the standard

In terms of the standards' principles and criteria, the extent to which they are detailed enough to reduce ambiguity and misinterpretation can be observed in two different ways.

First, with regard to the ISO 14001 norm (the “standard”), there are standardised *requirements* set by the norm itself. So called the norm’s *requirements*, they are elaborated along a set of 10 clauses, referred to as the high-level structure (HLS), as presented in table 3. Second, the norm prescribes specific requirements which are to be defined and established independently by the adopting entity, by following the instructions of the norm’s requirements. These requirements are tailored to the adopting entity and take form as *compliance obligations*, and will be elaborated on the next chapter.

With regards to the norm’s requirements, the document contains concise systematic requirements that ought to be fulfilled. The norm dictates that each requirement should not be interpreted independently from the rest of the requirements, as they are interrelated and provide a system approach to establishing the EMS. Although this, the standard provides additional explanatory information and guidance to prevent misinterpretation of the norm’s requirements (ISO, 2015b). Moreover, for some of the requirements, adopting entity may use complementary guiding standards from the 14000 family, if needed. For example, ISO 14004 may be used for more elaborated guidelines for implementation of the EMS, where the principle requirements and issues involving implementation are discussed in more detail (ISO 14001;2015). Moreover, the ISO central office has established in 2020 an interpretation committee for the ISO 14001:2015 norm. The committee gathered inquiries from its national members, and published the responses to the public and relevant parties (ISO, 2022c).

With regards to the detail and comprehension of the environmental compliance obligations established by the adopting entity, which ultimately translate into tailored compliance criteria, the level of detail is evaluated differently than the norm's requirements. Although the established compliance obligations are tailored specifically to the adopting entity's context and scope, they must adhere to the prescriptions of the norm's requirements. In terms of detail, the norm prescribes that such compliance obligations be formulated in a certain manner and adhere to the specific requirements elaborated in the norm. At the core of the standard, the norm prescribes establishing common language and terminology, alongside consistency for all relevant procedures and actions that shape the EMS. The established compliance obligations are at their core meant to facilitate communication within and across the organisation, hence must be detailed enough to reduce chance of misinterpretation. For example, when the adopting entity formulates its environmental objectives (6.1 and 6.2) (aligned to its environmental policy), it must establish its own operating criteria and specific controls (8.1), which are essentially the set of actions to conform with the environmental objectives. The operating criteria established by the adopting entity are provided with sufficient detail for mitigating misinterpretation as the ISO norm requires a multitude of requirements. For instance, the operating criteria must elaborate what concrete actions will be taken, the resources it will require, who is responsible for implementation, and when it will be completed, and how will the results be evaluated, including indicators for monitoring progress, and more.

With regards to the standard prescription to quantifiable targets, the norm dictates that the established compliance obligations are to be translated into quantifiable targets wherever possible. As prescribed by the norm under clauses 6.2.1 and 8.1, it is a mandatory requirement for the adopting entity to establish measurable environmental objectives, alongside establishing indicators to monitor the progress towards achieving such objectives and their related operating criteria. Indicators are defined by the norm as a "measurable representation of the condition or status of operations, management or conditions" (ISO 2015b, p.5).

With regards to the standard prescription of performance-based targets. Similarly to quantifiable targets, the norm prescribes that the adopting entity ensures that its multitude of targets can be objectively evaluated based on performance. This includes either quantitative or qualitative findings. In fact, clause number 9, 'performance evaluation', is dedicated to the monitoring, measurement, analysis, and evaluation of the environmental objectives, compliance obligations, and the operational criteria. Additional information on setting performance-based targets can be found in ISO 14031:2021 guide for environmental performance evaluation (ISO, 2015b).

As for sustainable management plans, the ISO 14001 norm, which prescribes the establishment of an Environmental Management System, is inherently a management plan. All of its requirements provide an integral systemic approach to addressing environmental issues that can be either controlled or influenced through the organisation's activities. With regards to the higher management role in formulating and implementing the EMS, clause 5, 'Leadership', prescribes the relevant requirements for the higher management to establish the EMS. This comes about demonstrating leadership and commitment to the established environmental policy, while ensuring that responsibilities and authorities are allocated and assigned to the relevant personnel within the organisation. Together with clause 6, "planning", ensures that the environmental policy, objectives, and compliance requirements are all met sufficiently and planned for continuous improvement.

Moreover, clause 9.3 requires a management review process to ensure that the EMS is sufficiently implemented on a strategic level. It also demands from the management to review that adequate resources and responsibilities are in place, and so on (ISO, 2015b).

Following this assessment, ISO 14001 performs adequately on all indicators, resulting it to be a ‘Very Stringent’ standard.

Conditions	Key Indicators	Operationalisation of the Indicators
Stringency of standards	Detailed principles and criteria	Indicator satisfied
	Quantifiable targets	Indicator satisfied
	Performance targets	Indicator satisfied
	Management plans	Indicator satisfied

Standard	Score
B CORP (BIA)	Very Stringent

4.2.2.3 Quality of the audits

ISO has a clear mandate to develop and maintain the standard, and as an organisation it does not issue the certifications or get involved throughout any part of the certification procedures (ISO, 2022).

In order to adhere to the ISO 14001 norm, the adopting entity must independently establish an *internal audit programme* which will continuously revise the performance, implementation and continuous improvement of the EMS and the compliance requirements. In short, such a programme ensures that the audit scope has been defined for all operational and organisational processes necessary. It provides selection of the adequate auditors (in conjunction with technical experts if needed), and aims to ensure non-bias and objectivity, and ensures that the results of the audit are reported to the relevant management (9.2.2). Moreover, establishing the internal audit programme must include the frequency of the audit (with predetermined planned intervals), its methods, assigning of responsibilities, planning requirements, and its reporting (9.2.2). The auditing process can assist in monitoring the current state, but also serve as the main evaluation mechanism for maintaining adequate implementation of the EMS, while also preparing for the external audits to acquire or maintain certification. The internal audit programme established by the adopting entity can

be compartmentalised to various disciplines, different activities, processes, products, or services within the organisation depending on the organisation's industry, scope, context, and complexity of its operations. Each internal audit does not have to cover the entire system, but the internal audit programme must ensure that the cumulation of all internal audits periodically covers the entire system and its function, under the determined scope of the certification (ISO, 2018; ISO 2015b).

The final product of the audit should contain all the necessary documentations and is presented in a form of report. This is said to be an effective way of demonstrating performance and reporting it. Alternatively, it is an opportunity to identify any form of non-conformities (deficiencies or inconsistencies), which ought to be reported and addressed for rectification. In sum, in order for the adopting entity to evaluate the fulfilment of its compliance obligations, it must a) determine the frequency that compliance is to be evaluated, b) evaluate compliance and take necessary action for corrections if needed (identifies non-conformities and effectiveness of implementation), c) maintain the knowledge and information of its compliance status (ISO, 2015b).

Auditors assigned for the internal auditing process can be either from the organisation itself (internal auditors) or from outside the organisation (external third-party auditors).

In both cases, the selection of auditors must demonstrate independence and freedom of bias, although the latter option is preferable if the adopting entity wishes to demonstrate higher credibility or trust to interested parties. Auditor independence must include documented form of evidence which the selected auditor demonstrates objectivity, freedom from any form of bias, impartiality to the auditing process (i.e., not auditing their own processes), and have no conflict of interests in performing the audit.

In case that the adopting entity chooses to assign internal auditors, it is recommended to have the highest level of independence possible. After conducting the internal audits (with internal auditors), if the audit results show full compliance and consistency with the ISO 14001 norm, then the organisation may provide a *self-declaration* statement of its conformance to the standard. However, this does not provide a formal certification, but provides confidence to the organisation for having the ability to meet the standard's requirements (ISO, 2015b). In order to issue a ISO 14001 certification, a conformity assessment must be conducted with external third-party verifiers. This includes third-party auditors who are themselves verified by a recognized *certification body* (or Conformity Assessment Accreditation Bodies). These auditors must be certified themselves by a certification body in order to ensure both impartiality and competence with auditing the ISO norm (i.e., ISO 14001). As for the certification bodies, they also must adhere to high standards of impartiality, thus they must be verified by the International Accreditation Forum (IAF), which serves as a credible international association for accreditation bodies (IAF, 2022; ISO 2022b).

With regards to 100% compliance with the standard's criteria, as presented before, ISO 14001 requires compliance with both the norm's requirements, alongside the adopting entity's self-established compliance criteria. Starting with the ISO 14001 norm's requirements, they are standardised (identical) to all adopting entities wishing to acquire the certificate. For the ISO 14001 norm, the mandatory requirements include all requirements described within clauses 4-10 of the norm. Clauses 1-3 are not requirements, but a prelude to the standard. The required clauses include: clause number 4. Context of the organisation, 5. Leadership, 6. Planning, 7. Support, 8. Operation, 9. Performance evaluation, and 10. Improvement.

The second part which must be complied with, involves the compliance criteria (or obligations) which are established by the adopting entity itself, following the prescriptions provided by the norm's requirements. The compliance criteria would be the specific environmental and organisational-related actions needing to be performed in order to maintain the EMS and its continuous improvement. In terms of auditing, all criteria that are found to keep the EMS cycle of continuous improvement must be complied and implemented without exception (ISO, 2015b).

As for sanctions for non-compliance with the standard, ISO will revoke the issued standard in any case of non-compliance. First, each audit will result in a "compliance status" and will present the results of each audit. The results may identify so-called *non-conformities*, which translate to not fulfilling a requirement. In the case of identification of non-conformities, the auditor must signal them and make sure that adequate actions are set in place to mitigate its recurrence. Such actions are defined as *corrective actions*. A corrective action serves as a given possibility to rectify the problem identified in an audit, by first examining the root cause of the non-conformity, followed by implementing an adequate or satisfactory sustainable solution, left to the judgement of the auditor and in line with the ISO guidelines for environmental performance evaluation (ISO, 2019). Corrective actions of non-conformities may not be necessary in case that they are corrected by the EMS system processes. However, all non-conformities must be corrected, and a timeframe to do so is given by an accredited auditor. However, the timeframe for corrective action may vary depending on the organisation's size, operation complexity, severity of potential risk that non-conformity has on the environment, and more. Non-conformities can be distinguished as either minor or major non-conformities. Minor and major non-conformities will also be treated differently, and depending on severity, different timeframes and priorities of compliance will be given corrective actions by qualified auditors. However, ISO does not specify under what exact conditions of non-conformities a certification will be revoked, as they apply for the established compliance requirements which are very contextual and self-tailored to the adopting entity (ISO, 2015b; ISO, 2018). In case of non-compliance with the norm's requirements (those defined by the ISO norm and by the organisation itself) and failure to implement corrective actions in time according to the external auditor's feedback, will result in revocation of the certification (ISO, 2015b).

As for the auditing frequency, ISO has a mandatory requirement for the adopting entity to establish an internal audit programme (9.2.2) providing planning of the audit frequencies. Ideally, the plan will present an audit cycle, provided planned intervals between audits for the various necessary processes defined by the scope. ISO recommends planning an audit cycle for a period of at least 12 months. Although in practice the audit frequency may vary depending on different factors including the type of industry or sector, or the specific activity audited for each activity, product, or service. The recommended period is usually every 12 months, with up to a minor deviation according to the context (ISO, 2016).

Finally, in terms of continuous improvement, the ISO 14001 EMS is inherently designed for continuous improvement. As defined by the norm; "The organisation shall continually improve the suitability, adequacy and effectiveness of the environmental management system to enhance environmental performance" (ISO 14001:2015, p. 17). The driver of such continuous improvement is made possible as a result of an iterative process setup for a continuous improvement loop. This loop is referred to as the Plan-Do-Check-Act (PDCA) model. The fundamentals of the PDCA model begin with setting a *Plan* to establish environmental objectives and set processes for improving environmental performance

(aligned with environmental policy). This is followed by *Do*, which refers to the implementation of those plans. *Check* refers to the monitoring, evaluation (and auditing) of the implemented actions according to the plan, for which the results are reported. *Act* serves to implement the corrective actions and improvements identified in the *Check* phase. The *Act* phase provides continuous improvement in two major ways. The first, if processes implemented (*Do* phase) are consistent with the environmental objectives, then the improvements are set as new baselines for the next cycle of PDCA. The next cycle will establish higher objectives that go beyond the new established baseline, providing continuous improvement. The second way is through corrective action (as mentioned) found in the *Check* phase. These corrective actions must be addressed within a given timeframe, and consequently demand to be corrected before the next cycle (ISO, 2016).

In sum, ISO 14001 satisfies all the indicators of this assessment for quality of its audits, resulting in a score for being *Very Strict*.

Conditions	Key Indicators (preliminary)	Operationalisation of the Indicators	ISO 14001
Quality of audits	Third-party auditing	Auditing is conducted by third-party auditors and not by the organisation itself	Indicator satisfied
	Auditors accreditation	The auditor and/or auditing firm is accredited by independent certified organisations	Indicator satisfied
	Compliance with criteria	The standard requires 100% compliance with its criteria	Indicator satisfied
	Sanctions for non-compliance	Severe sanctions in case of non-compliance	Indicator satisfied
	Audit frequency	Audits are conducted on a regular basis.	Indicator satisfied

	Continuous improvement	The standard demands continuous improvement towards recertification procedures	Indicator satisfied
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Standard	
B CORP (BIA)	Very Strict (6/6)

4.2.2.4 Accountability and transparency

Indicator: The scheme periodically reviews its performance with regards to its stated objectives and achievements, and publicly discloses this information in a clear, and detailed fashion.

Accountability

ISO has published a series of documents that disclose their achievements towards their general goals as an organisation, as well as numerous publications concerning initiatives to advance sustainability and environmentally related objectives. The numerous publications do not specifically refer to the ISO 14001 standard, but are rather implied to all its standards.

The foremost important publication that ISO has in terms of periodically disclosing its stated objectives and achievements towards their goals can be found in their 2030 strategic plan. In general, the ISO strategy for 2021-2030 sets out a vision, mission, goals, and priorities. This publication also reveals ISO's strategic implementation plan in a form of a detailed framework of measures and indicators, that are periodically updated (ISO, 2022). Moreover, the strategic plan explains ISO's top three goals for achieving their desired mission, and provides three related priorities for advancing towards these goals. The approach of the 2030 strategic plan is not formulated in a self-reflective manner, but provides explanations regarding ISO's global impact and its own achievements. Although ISO does mention its role and progress to global impact, the report rather focuses on continuously adjusting ISO's priorities and enhancing its own capabilities to continuously strive to meet global challenges. ISO has set the year 2030 as a milestone to reflect on its progress and evaluate its fundamental work of ISO organisation (ISO, n.d.b).

Moreover, ISO has published an extensive and detailed guide concerning national standardisation good practices. This form of publication is intended for all National Standardisation Bodies (NSBs), which assist in developing the ISO standards on national levels. The publication provides detailed information concerning nine standardisation good practice principles. It also elaborates concretely how they are applied by ISO organisation, as well as how they should be applied by NSBs. Although the report does not mention deficiencies of ISO implementing such principles of best practice, it does mention in detail how ISO is incorporating the multitude of elements for each principle (ISO, n.d.a). This form of formal ISO publication may serve as an accountability report by itself, as the incorporation

of the principles are elaborated extensively and may be subject to public expert feedback. According to this assessment, ISO has a solid ground for being accountable to its own organisation.

Transparency

ISO explains that it is considered to be “fully transparent” as an organisation (ISO, 2019a, p. 68). In terms of the indicators for transparency of this assessment, ISO has clear and publicly available information for all conditions, except for the audit results for specific companies.

Starting with the standard-setting procedures, they are indeed made clear and made publicly available. The information with regards to the standard development can be found in multiple sources, but a source containing most detailed procedures are elaborated in the National Standardisation Strategies document published by ISO, in part 1: Methodology for the development of national standardisation strategies (ISO, n.d.c). This is to mention that there are no descriptions with regards to the ISO 14001 specifically, but that the procedures apply to all ISO management systems standards.

Concerning ISO 14001 standard’s requirements, they are all formulated with sufficient detailed explanations. Although the standard’s requirements prescribe a system approach for incorporating the standard, all the requirements are publicly available and clear in terms of their consistency, language, and method (ISO 14001:2015). As mentioned before, additional supportive resources and guidance standards are provided by ISO (i.e., the additional ISO 14000 family standards).

This applies also for the auditing methodologies, as they are described in the ISO 14001 norm, but further elaborated in a consistent and comprehensible manner in the ISO 19011, guidelines for auditing management systems (ISO, 2018).

As for the audit results of each of the companies performing the certification process, the results are not published or publicly available. In part this is not applicable to this assessment as independent certification bodies issues the certifications and not ISO itself (ISO, 2022).

Finally, the decision-making procedures are clear and made publicly available. Similarly to the standard setting procedures, they are elaborated in a comprehensive and detailed manner for all the ISO management systems in the national standardisation strategies publication, especially in part 1.3-1.4 discussing development process and stakeholder engagement (ISO, n.d.c.).

As a final score for ISO’s transparency, it has fulfilled four out of five indicators, providing a score of being Transparent.

4.2.2.5 Stakeholder participation and decision-making procedures

The General Assembly

The general assembly is the highest decision-making authority of ISO. The assembly is composed of all ISO members, from 177 states, and six Principal Officers, of which three women and three men. The principal officers are six individuals who serve as the highest-ranking officials of the organisation. The principal officers comprise the ISO President (Sweden), vice-president - Policy (Germany), vice-president - Technical Management (Singapore), vice-president - Finance (Japan), ISO treasurer

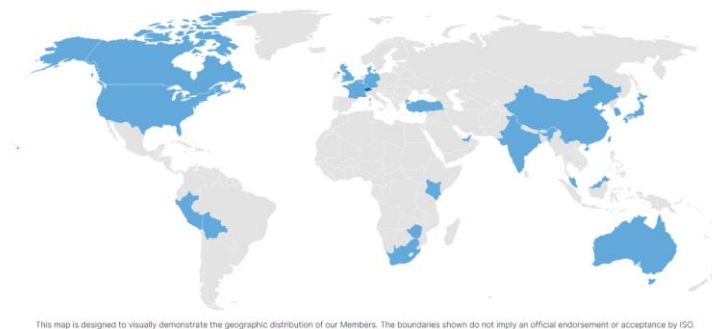
(Switzerland), and the Secretary General (originally from Chile). They are appointed by the ISO Council (ISO, 2022d).

The ISO Council

The council is the second-highest decision-making entity in the organisation. It is composed of 20 national member bodies, the principal officers, and the chairs of the policy development committees. The 20 member bodies participating in the council regularly rotate in order to ensure balanced representation of the total 177 members (ISO, 2022a). The national member bodies representing the council for the year 2022 are presented in the Figure 4. In terms of disparity between the Global North and South of the representing member bodies in the council, 12 are from the North, and 8 are from the South (including emerging economies) (ISO, 2022a).

← ISO/COUNCIL

Participation



This map is designed to visually demonstrate the geographic distribution of our Members. The boundaries shown do not imply an official endorsement or acceptance by ISO.

Figure 4: Geographical representation of ISO members council representation (ISO, 2022a)

Technical Committee Board (TMB)

The TMB is responsible for the overall management of the technical committees and reports directly to the ISO council. The TMB essentially manages all structure-related aspects of the technical committees. This includes establishing, coordinating, and supervising the activities of the designated technical committees for each new ISO standard. Moreover, the Board is responsible for establishing and maintaining the rules of ‘good standardisation practices’ to be followed throughout the whole standard development process (ISO, 2022). The head of the TMB, Sauw Kook Choy, from Singapore, also serves as one of the vice-presidents and is an active participant in the General Assembly. The board members consist of 15 national member body organisation representatives. The members come from 10 Global North countries, and 5 from the Global South or emerging economies (ISO, 2022b).

Technical committees and sub-committees

The technical work conducted by experts and other stakeholders is operated directly by technical committees. Each standard is appointed a designated technical committee for its respective scope, and reports directly to the Technical Management Board (TMB). The Technical Committee *ISO/TC207* oversees the general work for all the ISO 14000 family of standards (ISO, 2022c). Under the *ISO/TC207* committee, there are numerous subcommittees which are explicitly responsible for the development and iteration of each standard within the ISO 14000 family. For example, the

ISO/TC207/SC1 subcommittee for the ISO 14001:2015 environmental management systems (ISO, 2022c).

An overview of the governance structure of ISO is presented in figure 5 (ISO, 2022d).

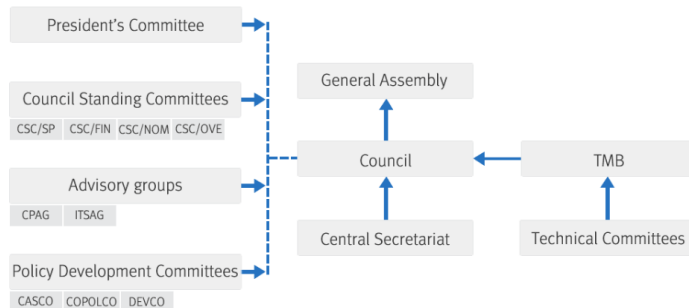


Figure 5: ISO governance structure overview (ISO, 2022d)

Quality of participation

Indicator: The scheme has strategies and methods that incorporating elements for effective participation of stakeholders in decision-making and procedures

One of ISO's top six priorities is to provide timely standards of the highest quality to market, without compromising on the rigour of their development processes, including the engagement conducted with experts and other stakeholders. In order to do so, ISO's strategy sets out to promote an effective development approach for capturing and incorporating the relevant contents to realise its goals. One of ISO's main goals is to have "all voices heard". This means that ISO also aims for inclusive processes for developing the standards with contribution from all relevant stakeholders for both ISO's governance and technical work of developing international standards. Such inclusivity encourages participation of members of all types, across different regions of the world, regardless of their budget, age, gender, language, technical background, and more (ISO, n.d.b). To put in perspective, ISO standards are developed in junction with diverse stakeholders from over 160 countries incorporated in over 3,000 technical bodies (i.e., committees and subcommittees), involving expertise from around 100,000 stakeholders representing various sectors including research and academic institutes, civil society groups, consumers, government organisations, standard bodies, and the private sector (ISO, 2015).

As ISO's standards are revised regularly, usually every 5 years, this involves a continuous process for effectively capturing and incorporating relevant content. Moreover, it is important for ISO to conduct such standard development processes in a collaborative fashion with partners and stakeholders while ensuring that consensus is reached (Strategic plan 2030, ISO).

With regards to the decision-making and stakeholder engagement during development of the standards, ISO actively distinguishes between two overarching groups of stakeholders. The first group refers to stakeholders that are active in the standardisation domain and may have direct interest in the standard (e.g., financial or political), while the other stakeholders group is influenced by the standards' developments (e.g., industries or public regulators). Seeking a balanced incorporation between the two groups in the decision-making processes is intended to promote public trust and credibility in ISO as a neutral global standard organisation (Good standardisation practices, ISO).

In practice, ISO has developed a method for engaging stakeholders in all its international standard development, including the ISO 14001:2015. In short, the process evaluation is assigned by the *ISO/TC207/SC1* technical subcommittee subgroup, named *Process Evaluation Group* (PEG), specifically for the ISO 14001:2015 standard. The PEG brings together a multitude of participating stakeholders via the national member bodies and liaison organisations which include for example members of the World Trade Organisation and other UN family organisations. The PEG is responsible for two main tasks. The first involves ongoing reviewing of the current state of development of the standard in terms of stakeholder participation and operations. The second task serves as an internal mirror committee, whereby the credibility of consensus reached is examined. More specifically, such examination is intended to verify that the quality and inclusivity conditions for the decision-making procedures were fully maintained (ISO, 2010).

In sum, ISO has elaborated and extensive methods using such an approach on the objectivity, credibility, and effectiveness of the decision-making process of its international standards. Although these methods have been developed to apply for all its standards, it is applied to each standard, including the ISO 14001:2015. To maintain its credibility and trust, ISO successfully manages to bring impartial consensus-based standards using a methodical ranking system for decision-making procedures, and balancing power relations between its diverse stakeholder groups.

4.2.2.6 Distributive equity

The mission of ISO states to “drive inclusive and equitable economic growth... to achieve a sustainable future” (ISO Strategy). In order to achieve this mission, ISO has set several priorities, of which the relevant ones are to demonstrate the benefits of the standards and strengthen all ISO national members through capacity building and advancing inclusivity and diversity into the ISO system. In terms of evaluating a more equitable distribution of costs and benefits throughout the implementation process and in the aftermath of the certification, the ISO 14001:2015 norm may have a few guidelines which contribute to an equitable distribution of costs and benefits:

The concept of equitable distribution of costs and benefits, or any other equity or justice-related concept, is not explicitly mentioned within the ISO 14001 norm (ISO, 2015b). Although not mentioned explicitly, several requirements of the standard may assist the adopting entity both identifying distributive injustices, and prescribing implementation of corrective actions. It is to clarify that the corrective actions of distributive-related injustices will only be addressed if found as obstacles or setbacks to the implementation of the EMS.

The first relevant requirement is to establish an understanding of *the organisation in context* (clause 4). This assessment requires investigating internal and external factors that may affect the ability of the organisation in achieving the intended results of an EMS. The norm recommends looking at a multitude of aspects, including socio-economic ones. Following an overall understanding of the organisation in context, it is required to conduct an in-depth evaluation for “understanding the needs and expectations of interested parties” (clause 4.2). Interested parties are defined as any stakeholder (internal or external to the organisation) that either have an interest or that are impacted by the

organisation's activities. This requirement essentially prescribes to consider all actors that are affected by the implementation of the standard and its outcomes throughout different groups, space, and time. More specifically, as long as they are relevant to the scope of the EMS, their concerns and needs ought to be addressed. These groups of actors include workers, customers, and suppliers. Naturally, customers and suppliers account as actors considered across different geographical spaces. As for actors considered over different times, inherently future generations are taken into account as part of the environmental sustainability applications. Following requirements, clause 5.1 - *Leadership and commitment* and clause 7.1 – *Support and Resources* prescribes that top management ensures the availability of necessary support and resources needed for implementing the EMS. It also prescribes to both direct and support “persons” to contribute to an effective EMS (clause 5.1). Clause 7.2 – *Competence*, prescribes to ensure that workers have the necessary competences for effectively implementing the EMS, this includes education, training, and addressing related workers' needs.

Although such requirements do not prescribe to establish a mechanism for equitable distribution of costs and benefits to be taken into account, they have the potential on shedding light on distributive justice elements and facilitate providing the means to address them. Especially, if such elements are found to be obstacles or setback to the implementation of the standard's EMS, than the adopting entity will have to translate them into *compliance obligations* and consequently address them as corrective action (ISO, 2015b).

As this is an iterative process, all types of issues with stakeholders' needs and expectations, resources, and competences may continuously be discovered and present setbacks or inefficiencies to impose significant enough restrictions to the implementation of the EMS, then they will have to be continuously addressed and consequently resolved. Moreover, significant issues identified must be addressed by the top management (clause 5.1), together with allocation of necessary resources to address them. Equitable distribution of costs and benefits cannot be guaranteed in this standard, however, if concerns and needs in this domain are enough to create setbacks, it will be reflected to top management and will require addressing.

Within the ISO 14000 family, there are two standards that have potential for better informing decision-makers with regards to more equitable distribution of costs and benefits throughout the organisation before, during, and after implementing the ISO 14001 norm. These are ISO 14007: *Guidelines for determining environmental costs and benefits*, and ISO 14008: *Monetary valuation of environmental impacts and related aspects*.

They guides were designed to provide monetary valuation for implementing (or not implementing) environmental measures for the ISO 14001. Although focused on the monetary valuation, various forms of benefits (or costs) can be identified for the variety of stakeholders who are either dependent or affected by an environmental-related measure (ISO, 2022). For instance, the standards state clearly to provide evaluation of environmental impacts on their socio-economic outcomes. Examples given by case studies of these assessments present a range of hidden costs and benefits as a result of implementing an EMS. Moreover, the evaluations from 14007 and 14008 guidelines assist in both understanding and addressing various dependencies of an organisation concerning the environment in both monetary and non-monetary terms. Non-monetary evaluations which may be produced by these assessments can look at changes that affect human wellbeing, such as various dependencies

and concerns, as a result of implementing environmental measures. For instance, environmental measures applied can have direct or indirect benefits for employees' health or quality of life (Steen & Knecht, 2020). Such cases are also referred to as "hidden effects" (Steen & Knecht, 2020).

In sum, disclosing such information on monetary, non-monetary, and hidden effects of the EMS implementation is valuable and indispensable for decision-makers, if distributive equity issues are to be addressed in the first place. Although in theory, the guides address the method for evaluation and presenting the information, yet it does not oblige organisations to implement measures (Steen & Knecht, 2020).

In sum, the ISO 14001 norm and the 14000 family would not provide explicit guidance in terms of equitable distribution of costs and benefits or other forms of justice and equity considerations. However, it may include such dimensions, especially if the issues may lead to setbacks in implementing the EMS or parts of it. Therefore, equity dimensions are not guaranteed to be addressed, but the norm provides a mechanism to first identify and evaluate them, and address them accordingly if they are to improve the effectiveness of the EMS implementation.

4.2.2.7 Uptake

As a worldwide federation for standards, ISO expanded its reach throughout most parts of the world. The global expansion can be visualised by the extensive network of its national member bodies. Such members assist ISO in developing and promoting its standards on a national scale. There is one member body per country, amounting to a total of 167 countries, as presented in Figure 6 (ISO, 2022d).

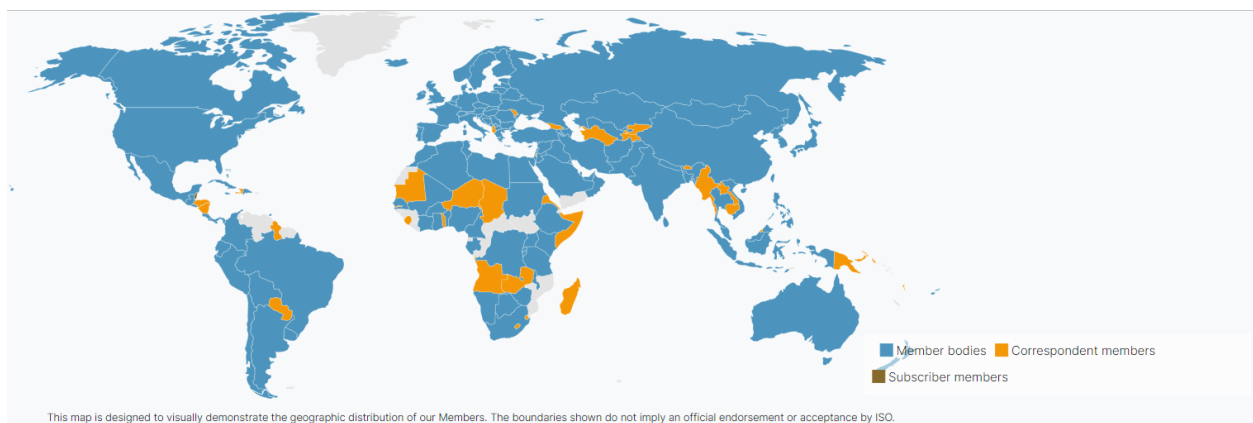


Figure 6: ISO 167 national member bodies repartition worldwide (1 member per country) (ISO, 2022d)

In terms of the ISO 14001:2015 standard, there was a total of 420,433 valid certificates for the year 2021, across 171 countries. In terms of disparity by countries certified for the standard, ISO 14001 has a more or less balanced disparity of its standards between the Global North and South, although with one anomaly, China, which has a significant majority of the standards, amounting to 51% of the total valid certificates. As for countries in the Global North, uptake is not particularly high. For illustration,

the United Kingdom amount to about 4% of the total certificates, Germany with 2%, France 1.5%, and the United States with as little as 1% of the total valid certificates (ISO, 2022d).

In terms of type of sector and industry, there are at least 39 different sectors have been recorded by the 2021 ISO survey (ISO, 2022a). The majority of the industry sectors certified are manufacturing and global supply chain companies (Fonseca et al., 2021).

In this assessment, most of ISO's sources refer to all its standards, including the 14001:2015 EMS, which accounts as its second most prominent standard used worldwide. Although these sources may refer to other international standards developed by ISO, it is assumed that it applies directly to the 14001:2015 amongst the other standards.

Concerning uptake, one of ISO's primary goal is to have their standards used "by everyone". For that purpose, ISO prioritises maintaining and further developing an elaborate system to disseminate its standards to all spheres of the globe, regardless of industry, size, or the environmental performance level of organisations (ISO, n.d.b).

National members spread worldwide boosting national uptake

Following ISO's strategic plan, it states to prioritise strengthening its national members on all levels, including in its capability to increase uptake, seen as a key factor to ISO's success that is aligned with its vision and goals (ISO, 2021; ISO, 2022b). ISO is designed in such a way to promote rapid and extensive global uptake of its international standards through close collaboration with its 167 national member bodies.

From the perspective of a national member body, its aim is to actively disseminate the international standards in their respective nation, and to incorporate these standards across different segments of industries and public organisations.

To assist the ISO member bodies, ISO secretariat has developed an elaborate approach for the member bodies on how to effectively disseminate their international standards. It entails elaborate procedures for increasing accessibility to the standard and provision of relevant knowledge to authorities, industries, and society. The member bodies implement the ISO approach while also operating as independent organisations, actively working towards increasing uptake, using their own marketing schemes, information centres and operations (ISO, n.d.a).

Another way for ISO to promote uptake is facilitated by its cooperation with the International Accreditation Forum (IAF). As mentioned before, ISO does not issue its own certifications, but instead outsources the certification processes under the responsibility of the IAF and its subsidiary organisations. The IAF itself is a world association for conformity assessments, consisting of 94 accreditation bodies around the world. These accreditation bodies are qualified to conduct third-party auditing and the entire certification processes for various standards, including ISO international standards in general, and ISO 14001:2015 in particular (IAF, 2022). As a result of ISO's cooperation with the IAF, ISO does not burden its organisational capacity for verifying and issuing certification worldwide. Instead, it can focus on developing its standards, and prioritise their dissemination.

As part of ISO's strategic plan to increase its global relevance through adoption of its standards, ISO specially addresses its national members from developing countries, said to account for three-

quarters of ISO's global memberships. For this purpose, ISO published a five-year action plan (2021-2025) to strengthen its national members in the developing world. The strategy specifically aims to advance sustainable development through a broader uptake of ISO standards in developing countries both in the public and private sector. This entails supporting governments public policy and good regulatory practice, while providing the private industry with compatibility for high standards in global trade. In order to ensure that developing countries obtain the necessary skills and resources for adopting ISO standards, ISO focuses on supporting its developing country members with capacity building (ISO, 2021). Such capacity building programmes entail strengthening national members' human and organisational capabilities to alleviate the benefits of the standards and increase uptake (ISO, 2022d). More specifically, the capabilities programmes include a multitude of international, regional, and national-level workshops, coaching and seminars, technical training, educational programmes and knowledge sharing initiatives, dedicated projects on various fields, and more. The programme uses a flexible approach to effectively alleviate the target audience, including use of local language and context-specificity, levels of education of target groups, virtual or in-person sessions, and more. The capacity building programmes are implemented in conjunction with diverse stakeholders outside of ISO and its national members, including recognised international organisations, donors, and other regional standards organisations. Finally, the capacity building programmes for members from developing nations is said to be more extensive in terms of support and guidance in comparison to developed countries members (ISO, 2021).

In terms of partnerships, ISO is highly involved with international, regional, and national organisations for collaboration, amounting to over 700 organisations worldwide. One of ISO's most important partnerships is with the World Trade Organisation (WTO), as the standards help in reducing technical barriers in world trade. Moreover, ISO has partnered with two other international organisations, forming the World Standards Cooperation (WSC) with the aim to strengthen the adoption of international standards worldwide. Strong collaboration is also prevalent between ISO and United Nations (UN) partners, including the UN Economic and Social Council (ECOSOC) for technical and harmonisation assistance of the standards (ISO, 2022c).

With regards to increasing uptake of the ISO 14001:2015 certification specifically, the standard has been designed for high flexibility in terms of its compatibility with other ISO management system standards. Such compatibility is referred to by ISO as an *integral management system (IMS)*, whereby all ISO management system standards share a common and unified structure of requirements referred to as the High Level Structure (HLS). The HLS is essentially the 10 clauses requirements that were previously discussed for ISO 14001:2015 EMS, and as presented in table 3. Although ISO 14001:2015 prescribes specifically to environmental topics, the same structure of implementation will apply to other ISO standards, for example, Energy Management Systems (ISO 50001), the Occupational Health and Safety standard (ISO 45001), or Quality Management Systems (ISO 9001). The application of the HLS for uptake is provided by the high compatibility it offers for an adopting entity to certify more than one management system without duplication of efforts for certain processes, especially in terms of use of common approach, bureaucracy, and risk-based thinking ((ISO, 2022b). The compatibility facilitated by the IMS promotes both flexibility and accessibility towards adopting the ISO 14001:2015 by entities that are certified for a different (non-environmental) ISO management system.

An additional flexible mechanism provided to assist implementation of ISO 14001, is one of ISO's 14000 family guides, the ISO 14005:2019: *Guidelines for a flexible approach to phased implementation*. This guide allows all types of organisations to become ISO 14001 certified in a more gradual manner, over a number of phases. These phases take into account various levels of organisational maturity and can assist organisations struggling with implementation due to various of circumstances (ISO, 2022c). Hence, such gradual approach of implementation provided by ISO 14005 facilitates a flexible incorporation of the standard for laggards, i.e., companies that are in early phases of maturity in terms of implementing environmental management systems.

Finally, ISO 14001 has been made fully compatible with a competing environmental management system standard called EMAS. This compatibility between the two standards come into play whereby ISO 14001 requirements are essentially the same as EMAS (i.e., the HLS with the mandatory requirements in clauses 4-10). However, EMAS is considered the most rigorous environmental management system as it prescribes additional requirements that go beyond the ISO 14001:2015 standard. An adopting entity wishing to extend its performance beyond ISO 14001 can certify for EMAS without needing to duplicate its efforts with regards to the common requirements between the two standards (European Commission, 2022). In other words, such compatibility between the two standards provides flexibility for uptake of laggards in choosing a comparatively less stringent EMS standard, i.e., ISO 14001:2015. This provides an opportunity for laggards to initially improve their environmental performance with a less stringent EMS, while having the opportunity to go beyond ISO's requirements and certify for EMAS at a later stage.

In sum, the ISO 14001:2015 standard is well equipped to disseminate high uptake amongst laggards. First, as an organisation, ISO has an elaborate mechanism to disseminate its standards worldwide through its national members operational independence together with their adoption of the ISO method. Specifically for uptake of laggards, ISO has prioritised capacity building programmes to assist the adoption and implementation of its standards in the developing world. As for the ISO 14001 itself, it is designed to be certified by all adopting entities regardless of initial environmental performance (as long as continuous improvement), and has been made compatible for adoption with other ISO management standards, and with a more rigorous EMS standard (EMAS), consequently providing both improved accessibility and flexibility for laggards to adopt the ISO 14001:2015.

4.3 Comparison of effectiveness between B Corp and ISO 14001

Sub Research Question (SRQ3): What are the observed differences between B Corp and ISO 14001 standards in terms of the conditions for effective governance, and what are the implications for fostering sustainability amongst businesses?

4.3.1 Sustainability dimensions

In terms of the defined sustainability dimensions addressed by the standards, B Corp and ISO 14001 EMS address sustainability dimensions differently, and use a different approach of assessment.

For the sustainability dimensions, the B Corp BIA prescribes a comprehensive list of topics mostly concerning socio-economic, social, and environmental performance criteria. ISO 14001 EMS presents the need to address solely environmental-related aspects which are relevant to the organisation's context and stakeholders expected needs. Although this is the scope of the standards in general, in practice the sustainability dimensions will vary depending on the adopting entity's scope on sustainability dimensions. For the BIA, out of about 200 points according to best practices on all topics of the BIA, the minimum requirement prescribes 80 points, allowing the adopting entity with flexible choices on where to improve and excel, hence leaving room for many unaddressed topics. For example, the adopting entity could focus almost entirely on socio-economic elements and disregard climate or environmental-related topics and still become certified (Liute, & De Giacomo, 2022). As for ISO EMS, the choice of the adopting entity is limited to the scope of its assessment, however all relevant environmentally-related risks and opportunities identified must be established as compliance obligations, forming the sustainability dimensions to be addressed. This form of requirements provides less flexibility for the adopting entity with regards to addressing environmental sustainability issues that are relevant to its context. On the other hand, this does not guarantee addressing social sustainability issues. Although many environmentally-related improvements have social benefits (e.g., reducing air pollution reduces health risks), it is not a mandatory part of the EMS and therefore cannot be assumed to take place. Moreover, ISO itself has expressed challenges associated with addressing sustainability in general and social responsibility within its 14001 EMS standard (ISO, 2022).

In terms of the implications that the sustainability dimensions of the standards have on fostering sustainable development, looking at the two standards on their own, B Corp has a greater potential to provide a more balanced (and mandatory) approach to holistic sustainability in comparison to ISO EMS. B Lab recognises the difficulty of attaining best-practice on all metrics (i.e., attaining the 200 maximum points available), and therefore encourages adopting entities to focus on the "most impactful" areas of intervention, relevant to their context. Although this provides some flexibility in terms of choice of best practices to address within the BIA, it is unlikely that an adopting entity will completely disregard either social or environmental dimensions. It is more likely to have disproportionate focus on one dimension instead of the other (e.g., focusing on emissions and waste over worker benefits and community development). However, these disproportionate focuses can be subject to public scrutiny, as the results and disparity of points for each dimension are publicly presented on the B Lab website and can be benchmarked to other businesses from the same industry and size. Moreover, B Lab is preparing to officially address this issue of disproportionate focus of their certified members. These new applications will be addressed in the upcoming new version of the BIA, which is said to guarantee that all B Corps adhere to a baseline (or minimum) requirements on all sustainability dimensions, regardless of their focus area of intervention. Finally, as the standard prescribes to complete the entire BIA questionnaire, measurements and concrete understanding of the baseline standpoints of the organisation's performance on all areas of sustainability can be understood. To say the least this prevents overlooking different elements of sustainability, and allows the adopting entity to prioritise its intervention efforts.

As for ISO EMS, its sole focus on the environmental pillar of sustainability naturally provides a higher potential to addressing environmental issues in comparison to B Corp. Although it is not designed to address social matters, it may indirectly address social matters, in the case that they intervene with the implementation of environmental related issues. However, the ISO EMS is much more prone to

overlooking social-related sustainability aspects, or not sufficiently addressing them within the process of establishing an EMS. In contrast, the B Corp approach to holistically address best-practices in terms of a wider scope of sustainability provides a much higher potential in fostering sustainable development as a whole, by implementing this standard alone. If an ISO 14001 certified organisation wishes to effectively address sustainable development, it will have to complement an additional standard that addresses social responsibility specifically.

In sum, a company wishing to advance its efforts on environmental sustainability will have more potential in doing so by certifying ISO EMS as it is better for implementing environmental sustainability. Social sustainability must be complemented with additional standard. While a company wishing a more holistic approach to sustainable development with a provided baseline on which areas to focus, should certify for B Corp, and will do so more effectively.

4.3.2 Stringency of the standard

Conditions	Key Indicators	Operationalisation of the Indicators	B Corp	ISO 14001:2015
Stringency of standards	Detailed principles and criteria	Principles and criteria are detailed enough to reduce ambiguity and misinterpretation contain at least three indicators	Indicator satisfied	Indicator satisfied
	Quantifiable targets	The standard includes quantifiable targets	Indicator satisfied	Indicator satisfied
	Performance targets	The standard includes performance-based targets	Indicator satisfied	Indicator satisfied
	Management plans	The standard includes sustainable management plans	Indicator NOT satisfied	Indicator satisfied

Standard	Stringency level
B CORP (BIA)	Stringent (3/4)
ISO 14001:2015	Very Stringent (4/4)

According to this assessment, ISO 14001 has been evaluated as more stringent in comparison to B Corp, evaluated as 'Very Stringent' compared to 'Stringent', respectively. Both satisfy the first three indicators (detailed criteria, quantifiable targets, performance-based targets), while only B Corp does not include sustainable management plans in its standard.

Detailed principles and criteria

Both standards have sufficient detail to prevent misinterpretation of the standard and its criteria. Starting with B Corp, the performance requirements in the BIA are formulated in clear language, using simple concepts, and explanations and guidelines can be found for further clarity. ISO 14001 has also sufficiently detailed principles and criteria, although in comparison to B Corp, they must be understood as a system, with clear connection on how they interact with the other requirements. This naturally makes ISO 14001 a much more difficult standard to comprehend, although this, there are multitude of additional explanatory guidelines for each clause and approach.

Quantifiable targets

Both standards contain quantifiable targets. The difference is that in the BIA these targets are presented in a relative form, such as with use of percentage. This is still due to the fact the BIA can be adopted by any company of all size or sector, therefore it is not tailored to a specific context. Opposingly, ISO 14001 prescribes the adopting entity to establish its own quantifiable targets.

Performance targets

Similarly to the previous comparison, both standards use performance targets. Although the BIA is almost entirely made of performance targets, the ISO 14001 prescribes the adopting entity to establish them independently. In both cases the standards prescribe to adopt performance targets of both qualitative and quantitative nature.

Management plans

The BIA itself does not provide guidance for establishing sustainable management plans. This is compared to ISO 14001 EMS, which is inherently a management plan. This comes with some observed implications for the effectiveness of the standards that is inherent to their distinct approach. The implications come about in a way that the B Corp standard does not “guide” the adopting entity on how to set up a plan in the first place, as it only provides the desired end results, as performance requirements and not as a plan (e.g., requirement: have 75% renewable energy, or pay fair wages to all employees). Opposingly, ISO 14001 EMS sets the founding framework for designing the management plans, with clear guidelines on what should be included in the plans.

The assessment has ruled that ISO 14001 is more stringent, as it does obtain the need to develop management plans in contrast to B Corp. Although this may provide ISO 14001 with an advantage for fostering more effective sustainability governance, some scholars may contest such results.

There is some criticism on management-based standards (such as ISO 14001 EMS) for being inherently less stringent, or leading to lower performance, than performance-based standards (such as B Corp). It is said that companies adopting performance-based standards are more likely to perform better in terms of their actual sustainable practices. In contrast, management-based standards can be misleading in terms of the actual performance being made, and it is said that

companies can still meet all the requirements of the standard while still performing poorly (Gulbrandsen, 2005; Junior et al., 2016).

These limitations on stringency for management-based standards may also apply for ISO 14001. In fact, such limitations are stated by the ISO 14001 standard itself. It is explained in the standard that optimal environmental outcomes cannot be guaranteed by implementing the standard alone. It is said that each company may have different results according to its scope, industry, and specific context (ISO 14001:2015). This essentially sums the stringency flaws of ISO 14001: “Two organizations can carry out similar activities but can have different compliance obligations, commitments in their environmental policy, environmental technologies and environmental performance goals, yet both can conform to the requirements of this International Standard” (ISO 14001:2015, p. vii). This suggests a troubling fact that the standard itself does not guarantee optimal performance, but rather the nature of the company adopting the standard.

Moreover, scholars argue that stringency of SCS can be strengthened through cooperation between different standards (Troster & Hiete, 2018; Kalfagianni & Pattberg, 2013). B Corp does exactly so, by providing the option for adopting entities to complement on the missing management plans with the adoption of the ISO 14001 Environmental Management System, and get rewarded with additional BIA score.

Hence, these results can be ambiguous in terms of which is more stringent. Following the drawbacks of a management-based standards such as ISO 14001, and the flexible provision of B Corp in encouraging the adoption of the ISO 14001 EMS to complement on its lack of management plans own standard, ISO cannot necessarily be more stringent than B Corp.

4.3.3 Quality of the audit

Condi tions	Key Indicators (preliminary)	Operationalisation of the Indicators	ISO 14001	B Corp
Quality of audits	Third-party auditing	Auditing is conducted by third-party auditors and not by the organisation itself	Indicator satisfied	Indicator NOT satisfied
	Auditors accreditation	The auditor and/or auditing firm is accredited by independent certified organisations	Indicator satisfied	Indicator NOT satisfied
	Compliance with criteria	The standard requires 100% compliance with its criteria	Indicator satisfied	Indicator satisfied
	Sanctions for non-compliance	Severe sanctions in case of non-compliance	Indicator satisfied	Indicator satisfied

	Audit frequency	Audits are conducted on a regular basis	Indicator satisfied	Indicator satisfied
	Continuous improvement	The standard demands continuous improvement towards recertification procedures	Indicator satisfied	Indicator NOT satisfied

Standard	
B CORP (BIA)	Flexible (3/6)
ISO 14001:2015	Very Strict (6/6)

The quality of audits evaluation in this assessment has found ISO 14001:2015 to be significantly more strict (*Very Strict*) in comparison to the B Corp standard (*Flexible*).

In terms of third-party auditing organisations and auditors, B Lab has not satisfied the criteria. Although it states that the auditing are done ‘independently’ to the organisation, the auditors are direct employees of B Lab Global organisation. In contrast, ISO 14001 is audited by audit organisations and auditors that are external to ISO organisation itself, specifically those accredited by the credible International Accreditation Forum (IAF).

In terms of third-party auditing, ISO complies to a high standard of compliance assurance through third-party auditing. By doing so, it fosters a higher sense of credibility to its international standards. As an organisation that develops and maintains its standards, its policy is to remain neutral in terms of the certification. That process, left to trusted third-parties under the International Accreditation Forum, guarantees the utmost credibility. In comparison, B Corp has its compliance assurance centralised and under the responsibility of the same organisation which also develops and maintains the standards, namely B Lab Global. This situation inherently poses a certain degree of bias and conflict of interest, which may be prone to impartiality. In turn, potential impartiality can hinder the credibility of the B Corp standard, or B Lab as an organisation. Although in practice B Lab’s method might not be subject to impartiality or conflicted interest (may be hard to prove), credibility is often judged by perceived or potential for impartiality of the public (i.e any interested stakeholder). Especially for international standards, trust and credibility in a label is at its core. Therefore, a standard organisation must be clear and transparent in terms of its standard’s credibility, and make the utmost effort to debunk any potential room for loss of credibility (Miller & Bush, 2015). This is something that B Lab has failed to do, as there have been no publications found with attempts to clarify why its compliance assurance processes are not prone to conflicted interest, specifically referring to the impartiality of the auditing processes by third-party organisations and auditors.

As for 100% compliance and associated sanctions for non-compliance, both standards fully satisfy these indicators. Both standards have clear mandates on what needs to be complied with in order to be certified, and have a policy for corrections in case that performance is not achieved sufficiently, or revoking the certificate in case of prolonged non-compliance or fraud.

Followed by audit frequency, both standards prescribe that external audits be conducted on a regular basis. However, ISO 14001 is more strict in this regards as it requires the adopting entity to establish a repetitive auditing cycle whereby the main processes are to be audited in a frequency of about 12 months (depending on the context and industry). In comparison, B Corp prescribes a repetitive auditing process once every 3 years.

As for continuous improvement, ISO 14001 standard is inherently designed in order to foster continuous improvement due the Plan-Do-Check-Act (PDCA) model. This is in comparison to the BIA that has limited potential for continuous improvement, as it is not actually enforced by the standard. This findings show inconsistency and misuse of the term “continuous improvement” in the form of repetitive claims made by B Lab. B Lab claims that it is constantly improving its standards to continuously improve social and environmental performance, although in practice, the adopting entity can remain certified indefinitely as long as it scores 80 points or above.

Therefore, the final assessment concludes that ISO 14001 is superior in terms of strictness compared to B Corp. This may have significant implications to the effectiveness of the standards. As ISO, the results show higher effectiveness, with no surprise as it remains a globally trusted and revered organisation for standards (Fonseca et al., 2021). While B Corp’s lower performance in terms of strictness for the quality of its audits, may negatively affect its effectiveness. This is because the absence of an impartial auditing system may undermine its credibility in the eyes of stakeholders (Miller and Bush, 2015), and is prone to undermine the enforcement mechanism and facilitate lower compliance with the standard’s prescriptions.

4.3.4 Accountability and transparency

Accountability

In terms of the SCS organisations’ accountability in periodically reviewing their own performance in advancing their stated objectives and achievements, ISO performs significantly better than B Lab. Although both organisations publish periodic reviews mentioning some degree of their performance, ISO pertains the information with significantly more detail and higher quality of disclosure. In contrast, B Lab discloses brief reports, leaving little room for its organisation to be made accountable by the public. The difference is most notable in ISO’s strategic plan for 2030, clearly presenting ISO’s objectives and achievements. As for B Lab, their annual report offers little room for accountability to take place. Although limited, B Lab can offer accountability through its SDG insight report, as it indirectly represents the achievements of certified B Lab companies, having implications on the overall advancement of B Lab’s objectives and achievements. This however only includes voluntary certified companies who chose to use the tool, representing less than a fourth of the total certified members.

In sum, determining the accountability of the organisations, the results tend to favour ISO. Although, both organisations could improve their accountability, such as ISO could provide detailed reports on the achievements for each of its standards, specifically for the ISO 14001:2015. As for B Lab presenting more detailed and objective reports of its demonstrated positive sustainability outcomes. Both organisations could value from increased accountability, as public scrutiny may occur, this is an important step to avoid misleading the public about the organisations' actual performance (Boiral, & Gendron, 2011; Schleifer, Fiorini, Auld, 2019).

Moreover, in taking more accountability through clear, detailed, and transparent communication of the organisations' performance, especially with the emerging B Corp standard, this will help better managing stakeholder expectations and will contribute to the effectiveness of the standard in the long-term.

Transparency

Condition	Key Indicators	Operationalisation of the Indicators	B Corp	ISO 14001:2015
Transparency	Transparency of the methods and procedures of the standard	a) The standard-setting procedures are clear and made publicly available	Indicator satisfied	Indicator satisfied
		b) The standard's requirements (assessment criteria) are clear and made publicly available	Indicator satisfied	Indicator satisfied
		c) The auditing methodologies are clear and made publicly available	Indicator satisfied	Indicator satisfied
		d) The overall audit results are clear and made publicly available	Indicator satisfied	Indicator NOT satisfied
		e) Decision making procedures are clear and made publicly available	Indicator satisfied	Indicator satisfied
Standard	Score			
B Corp	Very Transparent (5/5)			
ISO 14001:2015	Transparent (4/5)			

Following the previous section evaluating the accountability of the SCS organisations, this section evaluates the transparency of important processes of their respective standards.

The results show that B Corp standard is more transparent than ISO 14001:2015, being Very Transparency compared to Transparent, respectively.

In this regards, both standards have clear, detailed, and publicly accessible information concerning the indicators:

a) standard setting-up procedures, b) the specific requirements prescribed by the standard, c) the auditing methodologies, and e) decision-making procedures when updating new versions of their standards.

The difference lies for the operationalised indicator d) where audit results are publicly available. This is not the case for ISO 14001:2015 standard. Oppositely, certified B Corp companies have their results published on B Lab's website, presenting the overall score of the BIA for the different sustainability dimensions. This form of transparency provides a valuable for increasing accountability of B Lab and its standard. This is because the general public and stakeholders can clearly see the level of performance of all the certified companies, reducing suspicion of greenwashing and increasing the overall credibility of the B Corp standard amongst stakeholders (Junior et al., 2016). Moreover, not having publicly available audit results can impact other companies trying to overcome similar challenges, as the audit results are left to a large extent in obscurity, leaving less room for feedback and external pressures to stimulate improvements (Tröster & Hiete, 2018).

Despite the lack of publicly available audit results of ISO 14001:2015, it remains highly transparent about the rest of its standard procedures. The limitation concerning the audit results may revolve around the fact that ISO does not issue the certificates itself, as they are issued by members of the International Accreditation Organisation (IAF).

In contrast, B Corp publishes the overall results of its certified entities publicly, allowing accountability to take place with regards to the overall achieved results. Therefore, ISO not requiring public disclosing of certified entities overall evaluation results (from auditing), leaves no room for accountability by the public.

Overall, having these standard processes transparent to the public is crucial for effectiveness of the standards. In having such information clearly formulated and publicly disclosed, accountability can take place indirectly. Transparency of information with regards to the standard setting procedures, processes, and requirements, provide room for experts, practitioners, and the general public to make better judgment of the standard's properties, such as many of the conditions developed in the theoretical framework of this thesis, such as to evaluate the stringency and decision-making procedures.

As a result, for both cases, the high transparency findings regarding their standards can stimulate accountability to take place in the form of external expert feedback and or public scrutiny, consequently stimulating the standards' developers to enhance the sustainability-driven agenda and be more effective (Junior et al., 2016).

4.3.5 Stakeholder participation and decision-making procedures

Indicator: The scheme has strategies and methods that incorporating elements for effective participation of stakeholders in decision-making and procedures in the standard development

Starting with the decision-making entities, both cases have a clearly defined hierarchical structure that have been adjusted for the international application of the standards. This comes in the form that

high-ranking decision-making bodies are located in different locations and have members coming from different geographical regions. That said, in both cases there is still a wide majority of high-ranking decision-makers from the Global Northern regions compared to the South. Despite this, the high-ranking decision-makers of the organisations appear to have a well-balanced gender representation with a diverse and complementary backgrounds.

Concerning the establishment of strategies and methods for incorporating effective stakeholder participation in the decision-making processes, both cases show positive findings. Both B Lab and ISO have been found to have established a complex system which can effectively promote the benefits of wide stakeholder engagement in decision-making procedures. Specifically referring to the promotion of trust and legitimacy in the development of the standards, and the high-quality output of knowledge gathered and implemented in the standards' requirements.

Although both standards are international and non-industry specific, both cases have also incorporated an organisational structure that facilitates knowledge transfer across different levels, especially with regards to capturing contextual relevance. They have managed to construct a mechanism that facilitates capturing context-base knowledge for improving local legitimacy and acceptance, while providing more context-relevant knowledge generation. This is demonstrated by the organisational links across the central offices that oversee the development of the international requirements and consistency of participatory methods, alongside the regional and localised entities and working groups that are spread across the globe.

In terms of the balancing powers between the stakeholders involved and engaged in the development of the standards, both seek to prevent bias of a certain dominant stakeholder group. Although both indicate the importance for such balance of powers, ISO has more detailed and explicit evidence to uphold such statements. As for the diversity of stakeholders involved, both cases mention to engage all possible types of stakeholders, including those that are directly and indirectly affected by the standard, which in turn may reduce impartiality of the standard requirements. Moreover, the gathering of knowledge and relevant content is acquired from an extensive set of diverse stakeholders including experts and non-experts, and across a wide range of disciplines in academia, private, and public sectors. In this regard, the main difference seems to be that B Lab has a bigger focus on involving the general public and customers opinions in its final standard iteration phases, while ISO seems to have a bigger focus on involving representatives of international organisations.

Moreover, in terms of credibility, the level of independence of the B Lab Standard Advisory Council remains questionable, as they are appointed by the board themselves, whereas ISO's top executives (vice presidents) decision-makers are not the sole deciders, but are accompanied by rotating representatives of national members.

In sum, both cases seem to have developed an effective organisational design and decision-making procedures to capture quality stakeholder engagement and integrate them in a balanced way in the decision-making process and stakeholders to account for credible standard development. Summing for both standards to follow the conditions for an overall effective system for fostering sustainability.

4.3.6 Distributive equity

The standards in both cases have been found to not explicitly address the topic of distributive equity. Although not referring to this field specifically, both contain evidence that suggests that this field is incorporated within some of the standards' prescriptions.

Starting with the identification of actors that are affected by the organisation's activities over different groups, space, and time. Both ISO 14001 and its associated guidelines (i.e ISO 14007 and 14008), and the B Corp standard prescribe a holistic understanding for the adopting entity's impact and effect on these actors. On one hand, addressing distributive equity in the B Corp standard is at its core. Although the field is not explicitly mentioned, the performance requirements of the standard have been designed to address governance best-practice, or more specifically stakeholder management principles, and the legal obligation to consider them over time.

As for ISO, the standard does not explicitly prescribe to address distributive equity of such affected actors. It will only prescribe to take corrective action for distributive equity if obstacles and limitations are found to directly hinder the effective implementation of the EMS. Although there is no set limit to what the corrective actions may be, the standard provides no guarantee that distributive equity-related matters will be addressed. In this regard, B Corp standard is significantly better equipped to ensure that distributive equity is to be addressed throughout the certification process and in its aftermath. However the ISO 14001 standard prescriptions provide a better design for evaluating the affected actors, and connecting the necessary information for their relevant needs and resources, although, there is no guarantee that there will be a link in terms of distributive equity.

In sum, with regards to the equitable consideration of costs and benefits of the various stakeholders, over different groups, space, and time, the BIA criteria considers all of them. While ISO has the potential to identify such equity gaps, and will only interfere in case it affects the effectivity of implementing the EMS. As discussed in the sustainability dimension chapter, the scope for intervention is left to a large extent up for the adopting entities, which is the case also for promoting distributive equity. Although the BIA considers all stakeholders, in practice not all can or must be taken into account by the adopting entity, and ISO EMS will only address if relevant, depending on its specific context. In terms of evaluating the effectiveness of such standards in promoting distributive equity, the results tend to be favourable for B Corp as the standard is inherently meant to legally consider all stakeholders.

4.3.6 Uptake

In terms of general uptake for adoption of the standards, B Corp and ISO 14001:2015 are not comparable in size of their respective certified memberships. For the same year (2020), B Corp had about 3,500 certified members in comparison to 310,000 certified members for ISO 14001:2015. As for uptake around the globe, ISO 14001:2015 certified companies were dispersed over twice as many countries as B Corp, with certified companies spanning over 171 countries compared to 85 accordingly. Concerning the disparity of certified members around the globe, B Corp has a vast majority of its members in the Global North, in comparison to ISO 14001:2015 that has a moderately balanced disparity throughout the Global North and South. That said, both B Corp and ISO 14001:2015 have an abnormal presence of certified members from the United States and from China, accounting each for about half of the total issued certificates, respectively. Concerning industry sectors and sizes,

the vast majority of B Corp certified companies are small-sized enterprises with a relatively low environmental footprint. As for ISO 14001:2015, the majority accounts for industries and global supply chain companies.

Starting with the uptake capacity of the organisations, ISO by far has a more sophisticated and adequate mechanism to incorporate large numbers of potential adopting entities. This has shown visible in its cooperation with the IAF who issue the certifications on behalf of ISO. In contrast, B Lab issues all certification-related procedures under its own operations, limiting its organisational capacity to grow as rapidly as ISO in terms of uptake.

As for the uptake of laggards specifically, the two cases have distinct approaches in this regard, although ISO has a significant better design for incorporating them.

Starting with the incorporation of laggards through flexibility and accessibility approaches. B Corp provides differentiated pathways for adopting entities to follow through in terms of budget and industry size, essentially reducing financial and bureaucratic barriers for adopting entities. On this regard, ISO does not specify different certification pathways for different companies, as adopting entities must choose their own scope. Following that, ISO 14001 is designed in a way that incorporate laggards, most notably with its inherent design to allow all companies to certify, regardless of their initial environmental performance. Although this is true for B Corp as well, the EMS does not have a performance threshold, such as the BIA 80 minimum score. This implies that laggard companies have to go through demonstrated performance improvements to reach the minimum BIA score, while ISO 14001 can certify lagging industries with low performance as long as they establish an EMS with continuous improvement. Moreover, ISO 14005 guidelines provides a phased implementation option for laggards allowing additional flexibility.

As for incorporating laggards from different regions of the world, especially the Global South, ISO is better equipped and performance better than B Corp. This is demonstrated by its capacity building programme in the Global South, where ISO members assist developing nations in implementing the standard. In contrast, B Corp is working on adjusting some of its requirements to differentiate for different companies in different locations, such as in developed countries. However, this is still in early phases of development.

In sum, B Corp is continuously working on the flexibility and accessibility of its standard to better increase uptake amongst laggards. It has done so by attempting to improve its verification capacity, but more importantly by diversifying the standard's requirements for specific industries, and accommodating more flexible pricing.

As for ISO, it is significantly better equipped to disseminate uptake amongst laggards, with an well-designed uptake mechanism and outsourced certification entities with the IAF, to its flexible adoption of all types of companies regardless of their environmental starting point, scope, or geographical limitations.

In terms of effectiveness, ISO is much more effective in this regards, as its flexible approach to disseminate sustainability governance amongst a greater number of laggard companies. B Corp has

shown to mostly certified high-performers, with a lower potential to disseminate their standard to a larger audience of companies.

5. Discussion and limitations

The structure of the discussion will consist of the first chapter elaborating on interrelations found in the results, the *interrelations and trade-offs* between the different conditions for effective governance of SCS. Next, the most significant scientific findings which may contribute to the literature will be elaborated in the chapter *theoretical implications*, following the findings that may contribute to practitioners and society will be elaborated in the chapter *managerial and policy implications*. Finally, the limitations of the research and future research avenues will be discussed.

Following the analysis in this thesis it has become evident that the conditions for effective governance of SCS are to a large extent interrelated to one another, with inherent inter-dependencies and trade-offs. This knowledge is not new, and has been expressed by several authors (e.g. Hiete et al., 2011; Kalfagianni & Pattberg, 2013; Troster & Hiete, 2018). These type of interdependencies and trade-offs may take form in different ways, for instance, some may reinforce one another, while others may be neutral, or even negatively affect one another. In some cases, conditions may reach saturation beyond which the relationship is not significant, or some relations between conditions may only occur if the effect reaches beyond a certain threshold (Troster & Hiete, 2018). In light of these findings, in order to satisfy the research question of this thesis, the analysis will not be complete without addressing some of the identified interdependencies and trade-offs between the conditions for effective governance of SCS.

5.1 Interdependencies, interplays, and trade-offs

5.1.1 Sustainability dimensions and interoperability with complementary standards

The first condition for effective governance was defined as *sustainability dimensions* addressed by an SCS. This condition was found to be of importance for assessing the effectiveness as it determines the scope of intervention prescribed by the standard, hence a standard focusing only on the environmental dimensions of sustainability, can only foster sustainability in this specific dimension, essentially not addressing social and socio-economic dimensions. However, one specific interplay that is suspected to affect the validity of this assessment is *interoperability* with other standards. Interoperability with other standards, or in other words compatibility of a standard to be complemented with competing ones, found to be an important element with regards to *uptake*, although it may challenge the notion of effectiveness with regards to sustainability dimensions.

As the assessment concluded that the B Corp standard is more effective in fostering sustainability governance, as it addresses all sustainability dimensions, in comparison to ISO 14001:2015, which only addresses environmental-sustainability.

This conclusion may not hold truth in the 'real world', primarily due to the reason that companies are entitled to certify to more than one standard. As the findings show, both cases have made efforts to increase their interoperability with other standards, suggesting that in practice companies may indeed

choose to certify with more than one standard. Assuming that companies will certify more than one standard to complement on the “missing” sustainability dimensions, this will certainly affect the aforementioned assessment on effectiveness of the sustainability dimensions of the standard.

Similar debate on such interplays have been discussed by Dietz and Aufferberg (2014). The authors suggested that in order to untangle some of that complexity, additionally to investigating the sustainability dimensions addressed by the SCS, it is also useful to consult the driving nature of the SCS, such as its ambition and objectives. When distinguishing between the cases’ ambition and objectives, once again the B Corp standard seems to be more effective. As mentioned, B Corp is a movement with an ambitious mission to drive a societal change by leading a transition to a sustainable and so-called benefit economy. Reflected in the political and legal action of the movement, the standard itself also attempts to address the inherent complexity of its sustainability dimensions. Addressing such complexity is expressed within the approach for the scope of the B Corp standard, whereby an adopting entity should focus on the most impactful areas of sustainability, relevant to their specific context. The BIA itself also serves as an evaluation platform, whereby a company can evaluate and understand which dimensions of sustainability are lacking, or in need of more attention, and with that knowledge decide if complementary standards are necessary.

As for ISO, its mission to be incorporated worldwide is impactful as well. However it comes from a much more neutral standpoint, and to a large extent its international standards are driven as a response to market needs for addressing global supply chain complexities. This mission suggests that ISO’s approach to be more conservative and less proactive in producing change compared to the B Corp movement. Its more modest ambitions are expressed in the 14001:2015 standard itself. For instance, adoption of the ISO 14001 “will not in itself guarantee optimal environmental outcomes. Application of this International Standard can differ from one organization to another” (ISO 14001:2015, p. vi). The ISO 14001 EMS also does not provide the type of evaluation on all sustainability dimensions necessary for a company to decide on which areas to prioritise and take action. In return, adopting entities are more likely to overlook social and socio-economic dimensions of sustainability with the evaluation provided by ISO 14001.

5.1.2 Stringency, quality of the audits and uptake

A common trade-off found in the literature discusses the negative relationship between the stringency and strictness of SCS with uptake. In essence, “The stricter the standards, the better the enforcement systems and the bigger the market share, the higher will be the factual impact of a particular certification program” (Dietz, & Aufferberg, 2014, p.2). In practice, the more strict a standard is, the harder it will be for adopting entities to abide by the requirements, or the more lenient a standard is, the more likely it is to attract low-performers. As long as SCS are to a large extent voluntary, and in the absence of strict sustainability policies, SCS will continually remain balancing between these self-defeating trade-offs (Dietz & Aufferberg, 2014). This form of systematic restriction poses limitations to the theoretical framework developed in this Thesis. Although true to a large extent, the findings of this assessment may suggest several ways in which SCS can navigate through these trade-offs in order to maximise effectiveness.

First and foremost, the SCS should evaluate its position in terms of stringency and uptake and determine the most valuable growth strategy in balance with its strictness to effectively foster sustainability (Junior et al., 2016). Both cases demonstrate possible improvements in terms of the trade-offs.

Starting with B Corp, it could significantly increase its uptake. It will not serve its mission in transforming the world economic system if it does not exponentially increase its uptake. Following the assessment, B Corp could adopt a similar approach to ISO in terms of outsourcing its certification procedures. In doing so, it can significantly improve its uptake (as demonstrated by ISO) while also reduce the impartiality of its audits, by allowing a trusted third-party certification body such as members of the IAF.

As for ISO 14001 EMS, its significantly high uptake could motivate ISO to be more ambitious and demand higher performance through its standards. Starting from embedding social-sustainability dimensions within the EMS, or developing a more stringent standard such as EMAS (European Commission, 2022). In doing so, ISO 14001 which already has a high uptake should perhaps focus more on stringency and strictness to generate higher impact within its existing sphere of influence.

As for B Corp, additional measures for uptake could be taken, especially concerning the adoption of laggards. As evaluated in this assessment, B Corp could improve much on its adoption of laggards, especially companies from the Global South.

There has been critics concerning B Corp, for it certifying only the “best in class”, or high performers in the Global North (Kirst et al., 2021), suggesting that its standard may be too strict or undesirable for low performers to go through the process. Although some evidence exist with B Corp attempts to incorporate laggards and companies from the Global South, prioritising such uptake by promoting more differentiation and flexibility mechanism could promote such desired uptake for B Corp.

5.2 managerial and policy implications

This section will humbly present some of the main findings considering the cases are presented in the following chapter. This is to note that these are initial findings, and should be taken with precaution. Moreover, these findings represent an early identification of potential room for improvement. These recommendations should be taken with some degree of precaution, as other elements of consideration have been left out of this assessment (such as real-life obstacles and other potential trade-offs) , and should be researched more in-depth.

B Corp standard:

- a. Must increase uptake. B Lab should investigate outsourcing its evaluation and verification processes with the International accreditation Forum (IAF). This could be a new form of cooperation together with the IAF and its subsidiary organisations to work on specialising auditors for this purpose. It would make sense to see if third-party compliance organisations have similar procedures with other performance-based standards such as B Corp. In outsourcing such processes, while ensuring financial revenue, B Lab could expand its work focusing on developing and improving

its standard while increasing its work on uptake, while also increasing its credibility by having its certification issued by reliable third-parties.

- b. B Corp does not effectively prescribe continuous improvement for certified companies. The assessment has found that companies may remain indefinitely with the score of 80 points in the BIA without the need of improving. Claims of B Lab stimulating continuous improvements amongst firms is to a large extent wrong. Perhaps keeping its performance assessment while providing a Plan-Do-Check-Act (PDCA) model as basic requirements (hybrid of ISO 14001 and B Corp) could be of value for improving effectiveness
- c. Transparency and accountability. B Lab appears to put much efforts into its credibility as an organisation, especially with regards to the stringency of its certification. In terms of the impartiality of its evaluation processes. B Lab repeatedly claims to be transparent and impartial by having “independent” organisations (such as the Standard Advisory Council). If it wishes to increase its credibility as an organisation, it should better elaborate how exactly is the standard advisory council “independent”. Moreover, B Lab should publish on how exactly its evaluation and verification teams are impartial. In this section B Lab could learn much from ISO’s approach and methodologies for impartiality. This should follow with more self-accountability, specifically referring to its annual reports. Publicly available annual reports should have more detailed and extensive report of B Lab’s performance in terms of advancing its mission and objectives.

ISO 14001:2015

- a. Accountability. In the case of ISO, the credibility of the organisation itself reflects to a large extent the credibility for its specific standards, including the ISO 14001 EMS. ISO is an accountable organisation to a large extent, but lacks providing the accountability on its specific standards i.e. iso 14001. Although this may seem problematic, and ISO could benefit by specifying for its EMS, the credibility of ISO as an organisation matters most in this case as it reflects the credibility for each of its standards. If ISO accounts to be credible, than it necessarily applies for its standards (due to the detailed method approach). This is because its standards follow the same procedures, and in essence, are not different from another because accountability will be towards the organisation itself.
- b. ISO could improve the analytics and data gathering and production on the benefits, best-practices of ISO 14001:2015 (and other ISO international standards). The wide majority of ISO’s publications refer to ISO as an organisation, and rarely discuss the ISO 14001:2015 specifically on its website’s publications. By publishing more concrete information on the impact of ISO 14001:2015 specifically, ISO will demonstrate higher accountability, even if the results are not as positive. ISO should alleviate and connect its worldwide reputation and resources to generate knowledge for industries and companies on environmental practices. As ISO has over than 350,000 certified companies worldwide, it must step up as a global leader and produce knowledge for best-practices, perhaps translated in future standards. Moreover, the publishing of

analytics and best practices will reinforce the idea of ISO as a credible organisational and as a leader in the world of standards.

- c. ISO can harness much of the gathered knowledge and produce a “sustainability management system standard”. The idea would be to have a more holistic standard that incorporates social-sustainability into the requirements of the management system. This will improve its sustainability dimensions. ISO should work towards diversifying its sustainability-related certifications. As ISO mentioned, it is found difficult to introduce social-sustainability measures into the ISO 14001:2015. ISO could provide new requirements in its future versions, whereby some social requirements are included. Although hard to quantify social requirements, ISO has extensive resources and capacities in advancing knowledge in this field, and already has produced a non-certifiable standard 2900 – it must incorporate it in the ISO 14001:2015 future version.

5.3 Limitations and future research

This study supports the limited literature on the effectiveness of non-industry specific SCS. It elaborated and extended on past frameworks on effective governance of SCS for product-specific SCS. an additional contribution made was the attempt to operationalise social dimensions such as equity and accountability for such standards, while also introducing laggards as an important dimension for uptake.

Although the modest contribution to the literature, there has been inconclusive results and limitations which require further investigation in future research.

One limitation of the research revolves around the discrepancy between the theoretical scientific research and how practitioners might view it in the real world. In order to reduce such discrepancy, it could be of value to differentiate the analysis further into theoretical and empirical studies. On one hand, the theoretical research can contribute to establishing solid hypothesis in the field of SCS. While empirical research can contribute to assist practitioners evaluating these hypothesis on the ground, in a way that the actual influence of the conditions can be understood.

This relates to another limitation of this research, whereby only the **potential effectiveness** of SCS is evaluated. The limitation is inherent to the fact that this assessment cannot evaluate the actual impact on the ground, as a result of companies adopting the SCS. In other words, the SCS can be in theory very effective in fostering sustainability governance, but the assessment does not evaluate the actual impact that the certified companies have on sustainability, as a result of implementing the standards. This type of discrepancy is also suggested by Aravind & Christmann (2011).

An additional limitation to take into account is the subjectivity of this research. The research recognizes that subjective factors play a role, especially in qualitative research (Troster & Hiete, 2018). Although the reasoning of the research may be subject to contestation, it was built upon well researched conditions for effective governance from scientific literature.

Limitations concerning the literature covered for this study as a result of diverse key words. This field of study is subject to many alternative terms that are used interchangeably in the literature. The focus of this research may not have covered all the different terms, and as a result may present a key limitation with regards to the studies used, hence influencing the findings of this Thesis. Other research may come to different conclusions by using different key words.

Some limitations exist in terms of the **data used for this research**. Starting with the analysis made on non-industry specific SCS. Most literature used for developing the theoretical framework is not necessarily directed for non-industry specific standards such as the studied cases. This can pose limitations to the accuracy of the framework at hand. Although true, the limitation stems to a large extent to the existing literature on the effectiveness of SCS. This is because this domain in the literature does not sufficiently distinguish between product-specific SCS and non-industry specific SCS.

As for data limitations concerning the studied cases. The data collected to apply the framework of the cases naturally used **direct data provided by the SCS organizations themselves**. This in turn is subject to some impartiality, as such organizations may choose to emphasize certain information, while some may be obscured. While the more objective sources used, came from academic papers on the cases. Future research can focus on using more non-academic but reliable sources from recognized impartial organizations, although such sources appear to be limited.

Some limitations concerning the interpretation of the researcher should be taken into account. As the cases are both complex organizations, whereby it is common for practitioners to hire consultants to help with understanding the standards' requirements. Therefore, the research may be subject to some misinterpretation of the processes, or lack the time and expertise to better understand such complex cases.

This potential misinterpretations could have been complemented with conducting **interviews** with staff from the SCS organizations. Although to some extent this can add a new perspective or provide more clarity on certain factors, such interviewees themselves are also prone to impartiality. As the case studies are large and complex organizations, meaningful information received by a few individual interviewees would be questionable to complement on the data available online. Moreover, due to the nature of such organisations who seek high degree of transparency, it is unlikely that additional reliable information could have been covered by interviewees, beyond what is already available from desk research.

With regards to the cases studies. Some limitations exist to the comparison between the two standards, as it is **not necessarily a fair one**. Although the cases have been justified to be of comparable nature, the two standards are very different contributing to fostering sustainability on different levels, most notably them having a different approach, guided by distinct missions (Fonseca et al., 2021). Perhaps other research would get more conclusive results using more similar standards for comparison. For instance, ISO 14001 could be better compared with EMAS, as both are management systems. Although the case, the rationale of the researcher was initially to evaluate the effectiveness of B Corp, while comparing it to ISO 14001 has been chosen as a good reference point, due to its worldwide credibility and authority as a non-industry specific SCS. It is to say that to the best of the researcher's knowledge, there are no standards resembling B Corp. Moreover, the bottom line

of this research was to provide a framework, which any SCS standard could be compared to another, as long as they are both considered as viable alternatives, such as the two cases.

In terms of future research, there are multitude avenues crucial for contributing to the knowledge on the effectiveness of Sustainability Certification Schemes (SCS).

Starting with the **theoretical framework** of this Thesis, as seen, the conditions may provide an initial evaluation of the effectiveness of a given SCS. Although in practice, it is hard to evaluate the effectiveness given that the conditions are evaluated in isolation from the other conditions. As the findings of this research suggest, future research directions could look into improving this theoretical framework, and design new sets of conditions, or emphasise some that are deemed more relevant. Most importantly, future research could benefit from a better evaluation between recognised trade-offs or interdependencies. Provide synthesised efforts to comprehend under what conditions a standard is more effective. Help understand where complementary efforts of standards can foster sustainability and under which they might be paralysing progress and forcing a race to the bottom of SCS. For instance, a unified condition between *stringency* and *uptake* should be researched, with indicators evaluating under which circumstances one should come instead of the other, or which existing mechanisms are most adequate to balance between such two trade-offs.

Moreover, future research can investigate in greater depth the **effectiveness of non-industry specific** SCS, and conduct a more extensive literature review to synthesise and differentiate literature between product-specific and non-industry specific SCS. Especially in light of the growing relevance of non-industry specific SCS in the contemporary market transformation.

In terms of the conditions of the theoretical framework, future research can explore testing the extent to which some conditions that have been underrepresented or unexplored in this research relate to effectiveness of the SCS in practice. For example, **interoperability** and mitigation of duplication efforts of standards has been found as a significant element for the effectiveness of standards. This topic should be explored in more detail and evaluate the extent to which it contributes to SCS effectiveness. Moreover, some additional indicators could be developed for *quality of the audits*, for example, **auditors' expertise** has been found to be of importance, as literature explained that this may heavily affect the credibility of the audits, and the effectiveness of the SCS. Furthermore, the organisational capacity of SCS seems to be of high importance for effectiveness, thus investigating organisational adaptations that a SCS organisation can do to improve its uptake, credibility, or certification procedures. Moreover, the condition for distributive equity has been found difficult to apply in the framework. Future research can investigate in more depths the links between **equity** and effectiveness.

6. Conclusion

The aim of this research set out to investigate the effectiveness of Sustainability Certification Schemes (SCS) in fostering sustainability governance. For guiding the study, the following research question was asked:

To what extent are B Corp and ISO 14001 certification schemes fostering conditions for effective sustainability governance amongst companies?

In order to answer the research question, the study performed an extensive literature review on the effective governance of sustainability standards, specifically looking at the theoretical effectiveness of standards in fostering desired sustainability governance amongst companies which adopt the standard. This form of assessment strictly looks at the standards and the organisations that developed them, without analysing the consequential implementation of the sustainability requirements in practice. Following the literature review, the researcher established relevant concepts affecting the effectiveness of SCS and designed a theoretical framework of conditions for evaluating the effectiveness of SCS. The theoretical framework partially built on a past framework for marine and fisheries standards, has extended its conditions to fit for non-industry specific standards, entailing standards that can fit all types of companies regardless of their size or industry sector. For this purpose, new conditions and indicators were established, while for the existing ones some additional literature was used. The new conditions entail *sustainability dimensions, accountability and transparency, distributive equity*, including additions to existing conditions; *quality of participation and laggards*.

The following phase involved applying the framework on two comparable case studies. The case studies chosen were the B Corp standard, developed by B Lab organisation, and the ISO 14001:2015 Environmental Management System (EMS) developed by the International Standardisation Organisation (ISO). The cases have been chosen due to their relevance for sustainable market transformation. B Corp has been found as an underrepresented standard with great potential. With a unique approach of acting as a societal movement (known as the *B Corp movement*), and for its holistic model for assessing a company's social and environmental performance. While ISO 14001:2015 standard has been chosen as a robust reference comparison. For ISO organisation has worldwide credibility in developing most trusted standards, together with its standard being the most widely adopted environmental standard.

The two cases were applied on the theoretical framework on all the conditions, and were then compared to one another with a synthesised effort to determine their effectiveness for fostering sustainability governance amongst companies. Starting with the first condition for *sustainability dimensions*, it was found that B Corp provides a holistic view to sustainability, whereas ISO 14001 is focused largely on environmental-sustainability, providing limitations to its intervention on social-sustainability as an important dimension. The following conditions *Stringency of standards* and *Quality of the audit* determined that ISO is more stringent and strict for both conditions, allowing it to enforce its prescribed sustainability standards in a more effective way. As for *Accountability and Transparency* the results were ambiguous, providing both with advantages and limitations, although ISO provides more room for public scrutiny and constructive feedback by external parties. As for *Stakeholder Participation*, both cases demonstrated a sophisticated method for incorporating wide range of

stakeholders from around the world with diverse backgrounds and power imbalances, to effectively incorporate valuable knowledge into a consensus-based standard. As for *Distributive Equity*, the results tend to favour B Corp although none of the cases explicitly refers to equitable distribution of costs and benefits amongst stakeholders while implementing the standard and in its aftermath. Finally, condition for *Uptake* has shown considerably more uptake for ISO 14001, while also having a system better designed for incorporating laggards and companies from the Global South. B Corp has shown to focus more on companies from the Global North with higher sustainability performance. Following the analysis, no absolute conclusion can be drawn to which standard is more effective overall. Moreover, suspected inter-linkages and trade-offs exist between the standards. From which the most notable ones are the known trade-offs between uptake and stringency, whereas a less known interlink discussed the importance around the scope of sustainability dimensions addressed by SCS with other components of the standards to generate a more effective governance. The multitude and diverse results bring the need for further research, especially for the importance revolving the proliferation of SCS and the need to better understand the emerging and transformative nature of non-industry specific standards, such as B Corp and ISO 14001.

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