

2015 CORPORATE CONSCIOUSNESS REPORT



seventh
generation™

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MISSION

**TO INSPIRE A CONSUMER REVOLUTION
THAT NURTURES THE HEALTH OF THE
NEXT SEVEN GENERATIONS.**



CARE WHOLEHEARTEDLY

We have big hearts and they are full of our love for the planet, our consumers, our people, our partners, our products and our brand.



COLLABORATE DELIBERATELY

It takes a village, right? Together we can achieve things we could never have done by ourselves. Not to mention it's a lot less lonely.



NURTURE NATURE

Nature got it right. We know it. That's why we aspire to design products from plants not petroleum, from fields not factories.



INNOVATE DISRUPTIVELY

If you always do what you've done, you'll always get what you always got. We think innovation and creativity can change the world.



BE A TRUSTED BRAND

Can a company be a friend? We'd like to think so. We love our consumers, and we hope they love and trust us.

CEO LETTER



DEAR FRIENDS AND STAKEHOLDERS,

In 1989, a small group of environmentally concerned visionaries created a new type of household product and a different kind of company to sell it. The products were renewable and recycled, and the business itself took responsibility for its impacts and put an unshakable commitment to human equity and ecological values at the center of its mission.

Twenty-seven years later, much remains unchanged—we're still pioneering sustainable product innovations and we're still leading the charge that's transforming commerce into a powerful force that lifts people up while protecting the Earth.

Yet in other ways, everything is different. After 27 years of additional greenhouse gas accumulation, our planet's thin veneer of habitability has begun to crack. Along with 27 years of hazardous chemical production, our air, water, soil, and even our bodies themselves have become overburdened with dangerous toxins.

We take the urgency for change to heart and in 2015 we translated it into vigorous action on behalf of people and the planet.



CEO LETTER (continued)

B CORPORATION PROMOTION

That work began with a renewed dedication to our B Corporation status, work that saw us introduce its tenets to our many supply chain partners. We've been encouraging their transition to this business model, an initiative that will continue in 2016.

TOXICS REGULATION

In 2015, we also pushed aggressively for badly needed chemical regulation reforms. Here in the U.S., the current law governing hazardous materials, the 1976 Toxic Substances Control Act, is dangerously ill-equipped to protect public health and the environment from 21st century chemical hazards. As a result, most chemicals on the market today have not been adequately reviewed for safety.

To change this, we spent the year urging adoption of strict toxics controls, taking our success passing a toxics rule here in Vermont on the road to New York, where we galvanized a coalition of like-minded partners to successfully pass new regulations in four counties.

INGREDIENT DISCLOSURE

We believe that everyone has the right to know what's in the products they use, yet household cleaning products are largely exempt from ingredient disclosure regulations and many companies do not list chemicals on product labels, where consumers can easily find the information. Furthermore, allergens and chemicals linked to health risks may hide behind generic terms like "fragrance" and "degreaser."

That's wrong, and it's why we made history in 2008 by becoming one of the first home care companies to voluntarily disclose our ingredients on our labels in the same way that they are disclosed on personal care products. We enhanced this legacy in 2015 by building a coalition to encourage other companies to follow our lead and fight for legislation mandating this disclosure by companies that refuse to come clean.

#COMECLEAN

CLIMATE CHANGE

The highlight of the year for me, however, was a visit by former Vice President Al Gore, one of the world's leading environmental luminaries, who spent a day in our Burlington office discussing today's issues with us and giving one of his legendary climate crisis presentations at a public event we were proud to host.

Vice President Gore noted that the fourteen hottest years ever recorded on Earth have occurred since 2000. Last year was the hottest of all, as atmospheric carbon dioxide levels passed the crucial threshold of 400 ppm for the first time in recorded history.

Yet there is hope on the horizon. Vice President Gore reported that more than three-quarters of all new energy generating capacity came from renewables. Worldwide energy-related carbon emissions have flatlined even as the global economy grows.

His message re-energized our climate work. As a member of Business for Innovative Climate and Energy Policy (BICEP), we signed the Vermont Declaration on Climate Change in advance of the COP21 talks in Paris. Here at home, we made global warming activism a key focus of our employee engagement program, and we instituted an internal tax on our own carbon emissions. Now each department must take \$6.00 out of its budget for every ton of carbon it produces, monies that are dedicated to erasing our climate impacts over time. Even as we track our progress toward an aggressive 2020 goal to be fossil fuel-free, we are mindful that we must also begin to forge a more difficult path to 2030 and beyond.

In these and other initiatives, the many steps we took could not have happened without your support. Indeed it is our stakeholders and our customers, our partners and collaborators who make all we do possible. For that and so much more, we are profoundly grateful. I look forward to continuing to work together to make the world not just a better place, but the very best it can be.

FOR THE NEXT SEVEN GENERATIONS,

JOHN REPLOGLE
President and CEO

ABOUT US

RESPONSIBILITY

We believe in using the power of business to transform society. As a founding member of B Corp and a certified B Corporation, we demonstrate a more mindful way of doing business by meeting rigorous standards of social and environmental performance, accountability and transparency.



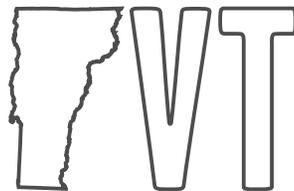
PRODUCTS

Seventh Generation is one of the nation's leading brands of household and personal care products designed with human health and the environment in mind. We want our products to make a difference—from their development through to their production, purchase, use, and disposal. We are continually evaluating how to reduce their environmental impact, increase performance and safety, and create a more sustainable supply chain.

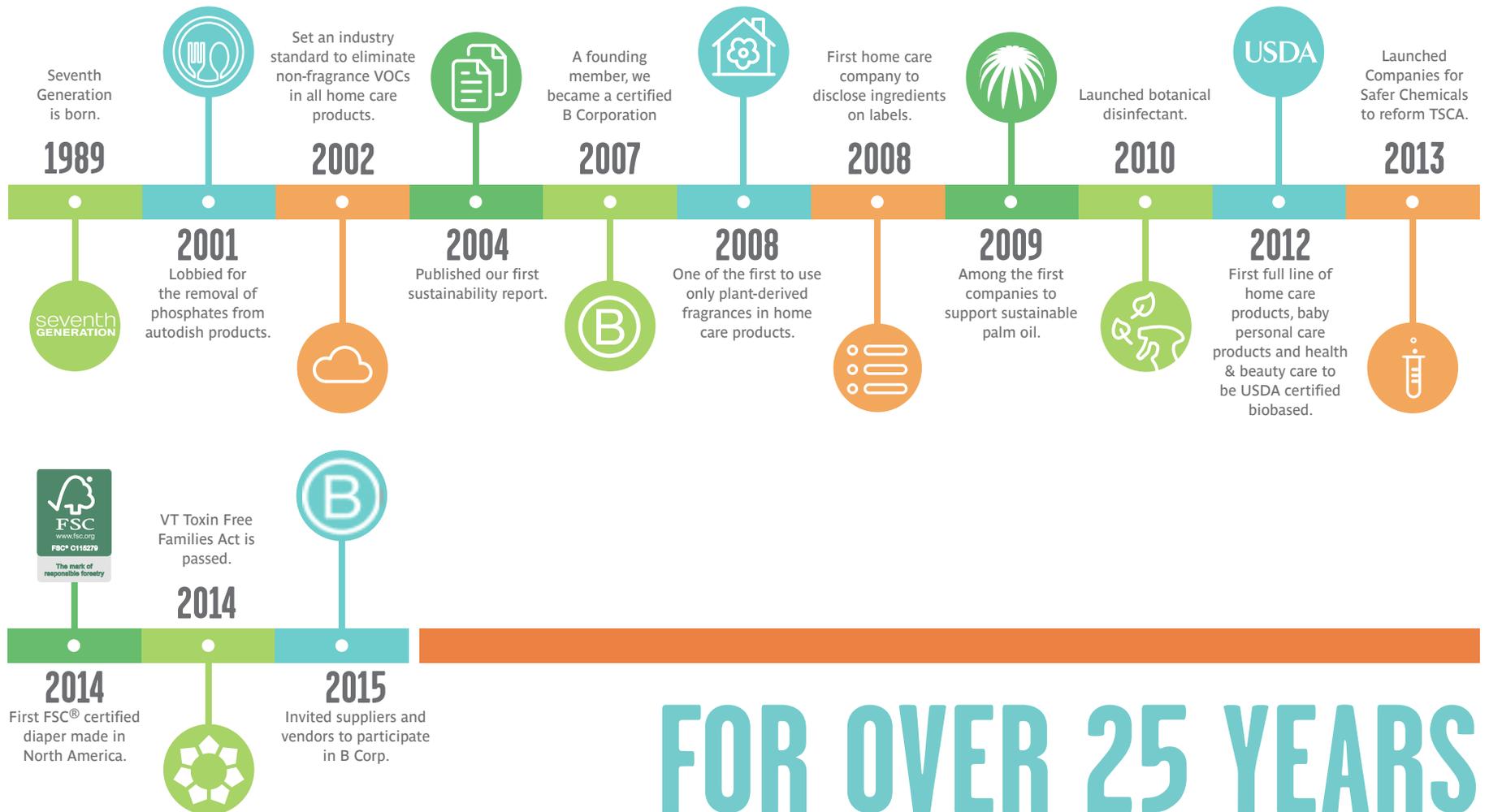


COMMUNITY

Seventh Generation is based in Burlington, Vermont, with an office in Raleigh, North Carolina, and is a privately-held corporation distributing products across the United States and Canada and through online retailers.



PURSUING OUR MISSION



FOR OVER 25 YEARS

OUR ASPIRATIONS



WHY WE CARE

CLIMATE CHANGE

Carbon dioxide levels reached 400 ppm for the first time in history. Unchecked increases will cause rising sea levels, warming temperatures and threats to health, communities, and agriculture.

TOXINS IN THE MARKETPLACE

There are roughly 80,000 inadequately tested chemicals approved for use in commerce that may be concerning for human health.

SOCIAL INEQUITY

In the U.S., the richest 20% hold up to 84% of the country's wealth, leading to poverty and injustice.

BUSINESS AS USUAL

The status quo has failed to meet many human and environmental needs. We believe business can be the most powerful force for positive change in the world.

WHAT WE ASK

Can we use materials, designs and processes that protect the earth?

How do we ensure that our ingredients and finished products are created with human health and the environment in mind?

Do we work with partners that share our values?

Can we exert influence to transform industry and government?

OUR ASPIRATIONS

NURTURE NATURE

ENHANCE HEALTH

BUILD COMMUNITY

TRANSFORM COMMERCE

OUR PRINCIPLES

- Source sustainably
- Choose plants not petroleum
- Decrease our carbon footprint
- Produce zero waste

- Create healthy products for healthy homes

- Create a vibrant workplace
- Nurture thriving communities

- Be radically transparent
- Exert influence beyond our size

2015 HIGHLIGHTS

CLIMATE ACTION



- **FORMER VICE-PRESIDENT AL GORE** visited us, bringing his message of climate change caution and hope.
- **ADOPTED** an internal price on carbon to propel us toward a fossil fuel-free future by 2020.
- **LAUNCHED** the Vermont Climate Declaration.

VIBRANT WORKPLACE



- **4,000 HOURS VOLUNTEERED;** 100% of us gave 1% or more of our time to strengthen our communities.
- **CHARTERED** a new employee committee on diversity, reflecting an invigorated focus in this area.

STRONGER LAWS



THREE MILLION CHILDREN in four New York counties will be protected under new laws addressing harmful chemicals. Built a coalition to achieve these successes.

ENGAGED CONSUMERS



20 MILLION

Reached 20 million people through our new generation good network. Friends reach friends on topics from toxics-free, healthy lifestyles to parenting and more.

AWARDS & RECOGNITION

- #3 Best Places to Work in Vermont
- B-Corp Measure What Matters Award
- Best Workplaces for Commuters
- HAPPI Top 50 Household & Personal Products Companies
- Best of the Best For Profit Company, Champlain Biz Journal
- Well.ca Green Cleaning Award
- B Corp Best for the World Environmental Impact Award
- Recognized by Senator Patrick Leahy in the Congressional Record
- 2nd Year as a winner of The Carbon Cup
- American Sustainable Business Council's Sustainable Policymakers ("Susty") Award to John Replegle

DEEPER PARTNERSHIPS

19 SUPPLIERS
Introduced 19 of our suppliers to the B Corporation responsible business framework.



BETTER PRODUCTS

GOAL	2012	2015	2020 GOALS
PRODUCTS AND PACKAGING CREATE ZERO WASTE; ARE BIODEGRADABLE OR RECYCLABLE	67%	70%	100%
INGREDIENTS AND MATERIALS ARE BIO-BASED OR RECYCLED	78%	81%	100%



NURTURE NATURE

WE CARE TODAY FOR THE NEXT SEVEN GENERATIONS OF TOMORROWS

Nurturing nature means choosing ingredients from renewable sources such as plants rather than sourcing them from petroleum. It means using recycled materials whenever possible and striving to design our products and packaging to be biodegradable or recyclable so that they do not have to become waste. It encompasses reducing our own greenhouse gas emissions, helping our consumers to reduce theirs, and urging the adoption of policies that will help us all move away from fossil fuels.

2020 GOAL

2015 PROGRESS

2016 GOALS

DECREASE OUR CARBON FOOTPRINT

- All energy from non-fossil sources
- All clothes washing in cold water



- **↓ 3% METRIC TONS** GHG emissions per ton of product from 2014
- **ADOPTED INTERNAL CARBON PRICE** of \$6 per ton

REDUCE GHG emissions by 20%, 3,000 metric tons (AIP goal*)

DETERMINE A BASELINE for our consumers' usage of cold water for laundering

CHOOSE PLANTS NOT PETROLEUM

- All products and packaging biobased or recycled



- **81% RECYCLED OR BIOBASED** inputs (80% in 2014)
- **40% PLASTIC RECYCLED OR BIOBASED INPUTS** (35% in 2012 baseline year; 37% in 2014)
- **ALL ELIGIBLE PRODUCTS** have received certification of their biobased content through the USDA Biopreferred® program

CONTINUE TO IMPROVE TOWARD 2020 GOAL

PRODUCE ZERO WASTE

- All products and packaging recyclable or biodegradable



- **70% BIODEGRADABLE OR RECYCLABLE** materials (69% in 2014)

CONTINUE TO IMPROVE TOWARD 2020 GOAL

SOURCE SUSTAINABLY

- All agricultural ingredients certified sustainable



- **100% GREENPALM CERTIFICATES PURCHASED** for all palm kernel oil (PKO) based ingredients we use.
- **75% OF VIRGIN WOOD PULP** is Forest Stewardship Council® (FSC®) certified. (76% in 2014)

CREATE A ROAD MAP to address sourcing of soy, corn, and coconut.

DEVELOP A TIMELINE for implementing approach to addressing water issues in supply chain.

*AIP Goal: This goal is linked to our annual incentive plan (bonus).

NURTURE NATURE

PRODUCT IMPROVEMENTS

Our product development team is continually innovating new and improved products. They look for ways to increase biobased or recycled content or to improve biodegradability or recyclability to support our 2020 goals, as well as to improve product effectiveness, reduce cost, and meet consumer needs.



ENERGYSMART™ PRODUCTS

Over 90% of the greenhouse gas emissions associated with our laundry detergent are from heating the water and drying the clothes during consumer use. Our new EnergySmart line of products is even more effective in cold water than our previous detergents and reframes the traditional detergent category as a means to decrease energy use by reducing the need for washing in hot or warm water. We are promoting this feature on our labels and will tie this to consumer education on cold-water washing and line drying. EnergySmart products debuted through Target's Made to Matter program, which highlights offerings from leading sustainable brands.



ULTRA POWER PLUS™

This suite of cleaning products uses a new PlantTech™ formula to deliver a deeper clean aimed at 'on the fence' consumers to demonstrate to them that our products are extremely effective. These products offer differentiation from others in the market due to their high biobased content, plant-derived fragrances and biodegradability, coupled with their excellent performance.



TRASH BAGS

Not only did our trash bags get stronger, we increased the post-consumer recycled (PCR) content. We are using a new Greencore® technology that sandwiches PCR plastic between two thin layers of virgin plastic to create a trash bag with high recycled content and improved strength.

These trash bags are improved compared to our original version:

- 4X more PCR plastic
- 2X stronger

NURTURE NATURE

DIAPERS

2015 was a year of regrouping for our diaper program as we developed an ambitious plan to pursue a series of innovations that will help our diapers meet our 2020 zero waste and biobased materials goals. We are proud of our Touch of Cloth™ diapers which replaced a synthetic outer layer with a soft layer of 70% unbleached cotton but we have struggled with maintaining two different diaper platforms (Touch of Cloth AND Free & Clear) in the marketplace. Key retail partners asked us to choose only one platform and tight margins led us to make the difficult decision to cease production of Touch of Cloth and focus on Free & Clear.

“This was disappointing but it has turned out to be a gift,” says Louis Chapdelaine, Product Director. “It has freed us to focus on bringing an outer layer made with a blend that incorporates unbleached cotton to our Free & Clear, size N-2 diapers.” We are also pursuing several substantial improvements that increase the biobased content of the diaper and maintain or enhance its effectiveness, while also giving consumers the designs they want on the outer layer.

MEETING OUR 2020 GOALS

Our diapers illustrate the challenges ahead of us as we pursue our 2020 product and packaging goals to use only materials that are recycled or that come from plants while also producing zero waste. Our diapers, feminine care products and wipes present the most significant challenges, as these must be fully plant-based and ideally, biodegradable by 2020 for us to meet our goals. We will also need to address the remaining virgin plastic in our products and packaging. These include some of our pumps and closures, our sprayers, and our plastic film packaging. While we have identified technological innovations to address every single one of these issues, implementing these successfully by 2020 is a significant hurdle—but we plan to push ourselves to achieve as much as we can.



“I want our diapers to be so close to nature you pluck them off the plant.”

LOUIS CHAPDELAINÉ
Product Director, Fibers

2015 ENVIRONMENTAL SAVINGS:*

A comparison of our products and packaging to these same products as if they were made with virgin petroleum based ingredients, found that our use of alternative plant-based or recycled ingredients and materials, potentially saved:



* 2015 is the first year that we included packaging in our environmental savings calculations.

NURTURE NATURE

EXAMPLES OF PACKAGING IMPROVEMENTS:

INCREASED THE POST-CONSUMER RECYCLED PLASTIC CONTENT FROM 50% TO 100% IN OUR SPRAY CLEANER BOTTLES

BEFORE



- Was 50% post-consumer recycled plastic due to challenging shape.
- Application of shrink sleeve label required transportation to an added location and additional energy to apply label.

AFTER



- Redesigned bottle is now 100% post-consumer recycled plastic.
- Switch to pressure-sensitive label allows for direct shipping and elimination of energy for label application.
- Removed the use of 40 metric tons of virgin petro plastic per year.

USED PLASTIC FROM SUGARCANE IN OUR 100 OZ. 2X LIQUID LAUNDRY DETERGENTS



- 100 oz. bottle is large and due to geometry demands greater strength than post-consumer recycled plastic provides.
- 80% post-consumer recycled plastic and 20% virgin plastic is required.
- Switched the 20% virgin petro plastic to plant-based plastic made from sugar cane.
- Bottle is still fully recyclable and uses 0% virgin petro plastic!

PACKAGING HIGHLIGHTS

2020 GOALS

All products and packaging: biobased or recycled; biodegradable or recyclable

2015 PROGRESS

Reduced our use of virgin plastic derived from petroleum by 195 metric tons and increased the recyclability of our packaging by 20 metric tons.

We select materials for our plastic packaging using this hierarchy:

- Post-consumer recycled plastic
- Virgin plant-based plastic
- Virgin petroleum-based plastic

NURTURE NATURE

CLIMATE STRATEGY

Our climate strategy touches all aspects of our operations from our offices and product transportation, to the plant-based and recycled materials in our products and packaging, to our focus on employee climate change education and activism, and our advocacy for progressive climate change policies.

INTERNAL CARBON TAX

Our newest approach to combating climate change is a self-imposed internal tax on carbon, introduced in 2015. “The carbon tax anchors our GHG reduction strategy in the heart of our business, activating our entire organization in support of our 2020 goal to obtain our energy from non-fossil fuel sources,” says CEO John Replogle.

Seventh Generation will enforce an internal fee of \$6.00 per ton of CO₂, aiming to incentivize sourcing and other departments to choose lower carbon options. We will use the generated revenue to reduce emissions by increasing efficiency, switching to renewable fuel, purchasing renewable electricity for our facilities and manufacturing partners, and, as a last resort, purchasing Renewable Energy Certificates (RECs) and offsets for the fossil fuel use we cannot yet eliminate.

Our tax will initially apply to our distribution, manufacturing, headquarters facilities, business travel, and employee commuting. In early 2016, we have already begun to explore increased use of rail, biodiesel fuel, purchasing renewable energy for manufacturing partner facilities, and purchasing RECs and offsets.

OUR CARBON FOOTPRINT AND AREAS OF GREATEST INFLUENCE

Back in 2010, we conducted a study to estimate the carbon footprint of the production, packaging, distribution, use and disposal associated with each of our product categories. We found that over 90 percent of our product greenhouse gas emissions come from consumer use of our laundry and dish washing products (due to hot water and dryer use). Excluding consumer use, raw material processing is responsible for approximately half of our emissions—an area of our business we have less ability to influence. While our 2020 priorities address areas of our business that we directly control, such as product transportation, material choices, and our facilities, as we head to 2030, our focus will expand to include impacts over which we have less control. This includes the energy-intensive processes by which raw materials are converted into the ingredients we use in our products.

SEVENTH GENERATION WILL ENFORCE AN INTERNAL FEE OF \$6.00 PER TON OF CO₂, AIMING TO INCENTIVIZE SOURCING AND OTHER DEPARTMENTS TO CHOOSE LOWER CARBON OPTIONS.



90% OF GHG

emissions from consumer use associate with laundry and dish washing. Removing that, 50% of emissions are from material production.

NURTURE NATURE

GREENHOUSE GAS EMISSIONS

2014-2015 GREENHOUSE GAS EMISSIONS



1% increase in absolute GHG emissions



3% reduction in GHG emissions per weight of product



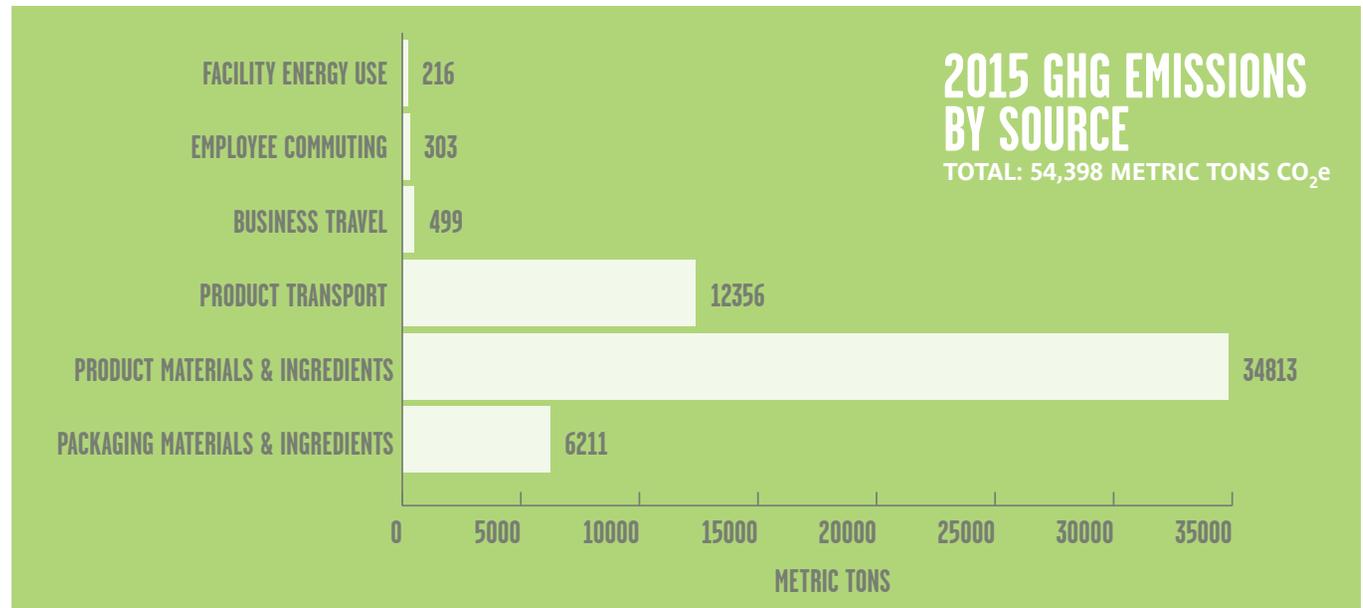
7% reduction in GHG emissions per weight of product from product transport

With the majority of our GHG impacts occurring during raw material extraction and processing and additional impacts occurring during product distribution, we have pursued reductions in GHG emissions by:

- Maximizing the use of recycled content in packaging materials
- Moving toward biobased materials
- Establishing a decentralized network of distribution centers that reduce product transport distances

As our materials are the largest contributor to our GHG emissions, we use component-specific GHG emission factors from industry sources and published reports to account for more than 95% (by weight) of the emissions from our materials, ingredients and packaging. For this report, we reviewed and updated these factors, increasing the percentage of materials

for which we have GHG emissions factors from 85% to 95%. We recalculated our 2014 emissions using these factors to allow us to compare 2014 to 2015 results to track progress. This assessment follows the GHG protocol developed by the World Resources Institute and the World Business Council for Sustainable Development. Note that we did not pursue offsets of Renewable Energy Credits in 2015.





ENHANCE HEALTH

WE ENHANCE HEALTH THROUGH EDUCATION, ACTIVISM, AND INNOVATION

We formulate our products using a tiered approach including the precautionary principle: if an ingredient has a suspected risk of causing serious, long-term harm to the public or to the environment, we don't use it. As we do not manufacture our own products, we impose stringent ingredient and quality standards on our suppliers. We strive to use ingredients that do not harm human health and are not carcinogenic, mutagenic, neurotoxic, developmentally toxic, strongly sensitizing, or endocrine disrupting. This chapter covers our product-related initiatives in 2015. For more information, refer to our [Ingredient Glossary](#).

2020 GOAL

CREATE HEALTHY PRODUCTS FOR HEALTHY HOMES:

All products are not acutely orally toxic and are free of chronic toxicants

2015 PROGRESS



DEVELOPED PLAN

To address removal of the preservative MIT*



BORIC-ACID FREE

Laundry detergents developed in 2014 available in stores



INCREASED PRODUCT SAFETY

Through extensive annual authenticity testing of finished products

2016 GOALS

REDUCE

overall use of MIT by 10% in formulated products

QUANTIFYING THE BENEFITS:

A comparison of our products to these same products as if they were made with conventional ingredients determined that our alternative ingredients saved:

106,000

pounds Volatile Organic Compounds (VOCs)



*Methylisothiazolinone (MIT), is a suspected sensitizer not a chronic toxicant.

ENHANCE HEALTH

CREATING HEALTHY PRODUCTS

BORIC ACID REMOVAL COMPLETE:

Due to concerns about the chronic toxicity of boric acid, we developed boric acid-free laundry detergents in 2014. In 2015, we cracked the formulation code for boric acid removal in the final products where it was present—our Natural Laundry Stain Remover and Auto Dishwasher Gel.

MIT REMOVAL ONGOING:

Addressing the synthetic preservative methylisothiazolinone (MIT) in some of our formulated products was a priority for us in 2015. We even linked the development of a plan for successfully removing this substance from all of our products to our Annual Incentive Plan (bonus program). Approved by EPA for use but considered a possible sensitizer, MIT replaced a higher-risk formaldehyde donor several years ago.



Chantal Bergeron, Research Manager, takes us through the process:

“It’s not easy to change a product formula at Seventh Generation because of our exacting goals; we seek to use only safe, effective, biobased, biodegradable and affordable ingredients. These high standards complicate our search for a replacement for MIT in our formulated products. While we develop our formulas in-house, we work in close partnership with our suppliers, turning to them to see if they can find an alternative plant-derived preservative. So far, we have conducted over 130 experiments in our search for an alternative to MIT. A combination of sodium benzoate and potassium sorbate in our fabric softener was promising, but after three months of stability testing, the formula thickened, leading us back to square one.

We finally have a plan to significantly reduce MIT concentrations by using small amounts in combination with other preservatives. The research road has been extremely bumpy but even greater challenges lie ahead on the path to our 2020 goals.”



“It’s not easy to change a product formula at Seventh Generation because of our exacting goals; we seek to use only safe, effective, biobased, biodegradable and affordable ingredients.”

CHANTAL BERGERON
Research Manager

ENHANCE HEALTH

PRODUCT STANDARDS AND TESTING

MEET OUR INFUSE WATER BOTTLE BY BOBBLE®:

With as many as 30 billion single-serve water bottles ending up in landfills each year, our reusable durable water bottles are helping to end this throwaway trend. Each bobble filter equates to 300 single-serve bottles. The Infuse bottle takes durability further with a permanent filter housing that does not need to be disposed of when the filter is changed. This innovation also allows consumers to remove the carbon filter to use the filter cage as a fruit infuser for delicious water flavored with seasonal fruits. Use of the durable filter cage in place of a disposable option removes 12.7 grams of plastic from the waste stream for each filter replacement.

#endthetrend



ENHANCE HEALTH

TO ENSURE PRODUCT SAFETY

we follow a multi-step process for all of our products.

For infuse™, this process involves:

- **STRINGENT MATERIAL SELECTION** standards that comply with U.S. and European standards for food contact applications. The bobble Infuse™ uses Tritan™ a durable plastic that is free of BPA and phthalates.
- **COMMUNICATION OF TOXICITY STANDARDS TO SUPPLIERS.**
- **EXTENSIVE SAFETY AND AUTHENTICITY TESTING PROGRAM FOR ALL OF OUR MATERIALS.**
This includes screening for heavy metals, BPA, BPS (added to testing in 2015), phthalates, volatile organic compounds and other chemicals of concern.

- **LOW DETECTION LIMITS.**
We screen for BPA and BPS down to 200 parts per billion and screen for some heavy metals at concentrations ten times lower than required.
- **FINISHED PRODUCT TESTING** to capture any cross-contamination, processing aids, trace materials, or additives. Prior to approving Infuse for sale, our testing revealed very low trace levels of BPA. We halted our work and found that a new mold in the manufacturing facility was contaminated. We dismantled the mold and cleaned it thoroughly, addressing the problem.





BUILD COMMUNITY

WE ADVANCE SOCIAL JUSTICE AND EQUALITY TO UNLEASH HUMAN POTENTIAL

At Seventh Generation, we believe that a company’s values are as important as the products it makes. We work to ensure that our employees, our partners and our suppliers share our values. Our policies and programs are designed to help our suppliers, our employees, and even our consumers and the larger communities around us thrive.

2020 GOALS

2015 PROGRESS

2016 GOALS

NURTURE THRIVING COMMUNITIES:

All suppliers exceed social standards for health, safety, environment, and equity



19 SUPPLIERS

Were introduced to B Corp through the Quick Impact Assessment

EXPAND SUPPLIER B CORP ENGAGEMENT

by empowering 1/3 of suppliers to execute B action plans (AIP Goal*)



10 OF 22

Manufacturing locations audited

AUDIT 10 MANUFACTURING LOCATIONS

CREATE A VIBRANT WORKPLACE:

Create the “Best Place to Work” in North America



#3

Best places to work in Vermont

CONTINUE TO IMPROVE TOWARD 2020 GOAL



100% OF EMPLOYEES

Educated through LEAD engagement program and called to act on climate change and B Corp

ALL EMPLOYEES

participate in LEAD Engagement Plan (Personal AIP Goal*)



>4,000 HOURS

Volunteered for a better world

ALL EMPLOYEES

donate 1% of their time to charity (Personal AIP Goal*)

*AIP Goal: This goal is linked to our annual incentive plan (bonus). Employees must meet personal AIP goals in order to share in any of the annual incentive benefits.

BUILD COMMUNITY

PARTNERING WITH SUPPLIERS

B Corps are businesses whose legally defined goals include benefit to society and the environment, along with profit generation. We're so invested in the B Corp mission to be a force for good that Seventh Generation CEO John Replogle not only committed to bringing all of our own suppliers into the B Corp community but he called on fellow B Corps to make the same promise. Our supplier interest in this program surpassed our expectations, demonstrating that our partners share our values.

LEARN MORE:

- Check out our [B Corp Score](#)
- Review our [Supplier Code of Conduct](#)

“We involved all 130+ of our employees in bringing even more businesses into the B Corp sphere. Each of us invited either a service provider to Seventh Generation (think caterer, bank, distributor) or a business we respect to complete the B Corp QIA. 25 of our service providers and 16 other companies took us up on the offer. One went even further by tackling the full assessment.”

PENNY TUDOR

Director Quality, Regulatory and Claims



Certified B Corps use the power of business to solve social and environmental problems



Corporation A Better Way To Do Business

2015 RESULTS	2016 GOALS
<p>22 PARTNERS 22 Manufacturing partners and component suppliers were invited to take the B Corp Quick Impact Assessment (QIA), a short survey evaluating social and environmental performance.</p>	<p>100% OF SUPPLIERS complete the QIA and 1/3 complete improvement plans.</p>
<p>19 COMPLETIONS 19 Completed the survey, scoring well in the environmental categories.</p>	<p>HELP SUPPLIERS IMPROVE by focusing on the most achievable practices such as implementing a Code of Conduct and setting reduction goals in addition to measuring and reporting in the areas of waste, energy and wastewater.</p>
<p>1 ASSESSMENT 1 Supplier completed the deeper B Corp Business Impact Assessment (BIA).</p>	

BUILD COMMUNITY

A VIBRANT WORKPLACE

DIVERSITY AND INCLUSION

In 2015 we reinvigorated our exploration of the ways that we can strive to be a more diverse, inclusive and aware organization. We chartered a new employee committee with a mission to embed diversity and inclusion practices and mindset within Seventh Generation and advance diversity initiatives within our business networks and communities. Instrumental in inspiring our diversity focus was a talk given to the Board by Dr. Freada Kapor Klein, Author, Founder of the Level Playing Field Institute and Partner at the Kapor Center for Sustainability.



Stephanie Lowe, Director of Talent Development, reports that, “the conversation really opened everyone’s eyes to hidden bias and its impacts, as well as to the benefits a diverse workforce brings to creative decision-making and advancing our mission. We have hit the ground running in early 2016 in establishing baseline diversity metrics, shifting recruiting practices, and working to create an inclusive environment. We will also be examining the gap our data shows in male and female experiences within the organization. Seventh Generation is committed to advancing social justice and we are energized to start by doing more right at home.”

“The conversation really opened everyone’s eyes to hidden bias and its impacts, as well as to the benefits a diverse workforce brings to creative decision-making and advancing our mission.”

STEPHANIE LOWE
Director of Talent Development



EMPLOYEE METRICS	2014	2015
EMPLOYEES	137	153
TURNOVER (Voluntary/Involuntary)	8 / 3	8 / 2
DOGS	27	29
MALE/FEMALE	57M / 80F	64M / 89F
M / F VP & CEO	5M / 2F	5M / 2F
M / F DIRECTORS	15M / 8F	22M / 9F
M / F BOARD MEMBERS	6M / 3F	6M / 3F
DIVERSITY # (Non-White Employees)	11	11

BUILD COMMUNITY

GENDER AND COMPENSATION

Seventh Generation is proud of its total rewards philosophy, which ensures that each employee is eligible for a competitive base salary, bonus inclusion and the opportunity to become a shareholder of the company. While the design of the programs is intended to reward an individual's contribution level in a given year, we also acknowledge that no system is perfect.

In reviewing our organization's compensation analytics, we continue to experience some gender pay inequity by level. We are committed to addressing the imbalance and have instituted additional salary adjustments for women in roles where disparity is out of line with market rates. We started this process in 2014 and are seeing the disparity close. We will continue to review our position each compensation cycle and use the opportunity to address the salary gap where appropriate.

AVERAGE SALARIES COMPARED BY GENDER & LEVEL

	2013		2014		2015		NET CHANGE 2014-15 DISCREPANCY REDUCTION
							
INDIVIDUAL CONTRIBUTOR	93%	100%	91%	100%	93%	100%	-2%
MANAGER	84%	100%	90%	100%	91%	100%	-1%
DIRECTOR/VP (EXCLUDES CEO)	98%	100%	93%	100%	97%	100%	-4%

BUILD COMMUNITY

CLIMATE CHANGE ENGAGEMENT

We came together as a community through our LEAD program to learn about climate change and to take steps in our own lives such as supporting legislation, changing our commutes or improving our home energy efficiency. **100% OF EMPLOYEES COMPLETED THIS MULTI-PART PROGRAM**, which allows us to participate in the company bonus program.

FORMER VICE PRESIDENT AND NOBEL PRIZE WINNER AL GORE, whose firm Generation Investment is an investor in Seventh Generation, shared his climate change presentation with the public and later joined us at our office to continue the conversation. After detailing dire news from warmer temperatures to extreme weather, Mr. Gore pointed to coal-fired plant closures and increases in renewables as cause for optimism noting that, “ We have momentum with this. There is tremendous leadership here in Vermont in the political landscape and the business community and let’s not forget that political will is a renewable resource.”

2015 CARBON CUP WINNER!

87 percent of us participated in a two-week challenge hosted by the Vermont Department of Transportation. We walked, biked, car-pooled and generally commuted via low-carbon means resulting in:

9,523
total miles diverted from fossil fuel reliance

5,359
pounds of CO₂ avoided

“Even if we stop all inputs now, sea level will still rise due to the oceans’ delay in reacting. We need to start making real and difficult changes now. I have a one-year old and I want her to inherit a better world. That’s why I have been so invested in helping to lead our employee education and activism on this topic.”

SHAY DICOCO
Brand Manager



BUILD COMMUNITY

VOLUNTEERING

Our volunteering program connects each employee's passions and skills with needs in the larger community. Each of us gives one percent of our time (20 hours each year) through individual or team projects. We exceeded our 100% participation goal and in the past five years have increased the hours donated almost four fold. Volunteering 20 hours provides a gateway to participation in the company Annual Incentive Plan.



“The team building experience was better than we imagined! The Raleigh office chose to volunteer at The Shepherds Table Soup Kitchen because we wanted give back to the people who live in the historically underprivileged area where our office is located.

We prepared food, served a meal and cleaned up. The mission of the organization is to pair those who have, with those who do not in a caring and non-judgmental atmosphere.”

SERINA PENNINGTON
Senior Manager, Finance



EXCEEDED GOAL BY 37%

2015 VOLUNTEER HOURS

2015 TARGET:
3,000 HOURS

2015 ACTUALS:
4,100 HOURS

BUILD COMMUNITY

GIVING

To support our mission of caring for the next seven generations, The Seventh Generation Foundation helps fund non-profit organizations that work to bring about positive change and sustainable solutions—with a priority on eliminating chemicals of concern from the marketplace that threaten the health of pregnant women and children.

In 2015 we partnered with ten organizations that are making great strides through legislative reform, scientific research, and consumer awareness.

The Foundation also supports community organizations with a focus in 2015 on connecting underserved youth with the natural world. Our employee giving committee, employee match program and product donations provide additional avenues of support for worthy organizations.

SEVENTH GENERATION FOUNDATION GIVING

2014 \$235,000	2015 \$208,000
---------------------------------	---------------------------------

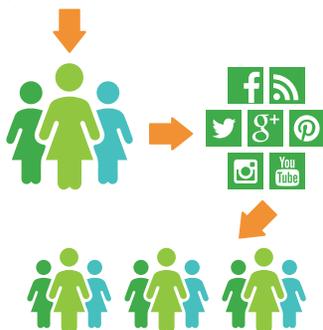


BREAST CANCER FUND	NY SUSTAINABLE BUSINESS COUNCIL
SAFER CHEMICALS HEALTHY FAMILIES	CLEAN AND HEALTHY NY
ALLIANCE FOR CLEAN AND HEALTHY	SAFER STATES
INFORMED GREEN SOLUTIONS	WOMEN'S VOICES FOR THE EARTH
AMERICAN SUSTAINABLE BUSINESS COUNCIL	CLEAN PRODUCTION ACTION

BUILD COMMUNITY

CONSUMER ENGAGEMENT

Generation Good members help extend our social media reach enormously through word-of-mouth. With 90,000 members in the first ten months, we are clearly meeting a need for both members and our brand. We're also building loyalty. A brand equity study that polled more than 1,000 consumers found that those who are aware of our mission are twice as likely to be loyal customers. We not only help them learn about our mission, but also be a part of activating it!



SPREADING THE WORD

We partner with Healthy Child Healthy World and other like-minded brands to provide party kits with education and tips for raising kids in a safe and healthy environment.

4,500
Healthy Baby Home Parties held in 2015

65,000
moms participated

PARTICIPANTS
leave party understanding toxic issues and having committed to taking action and using healthy products

2 MILLION
social media reach, generating 40 million impressions



MOTIVATING ACTION

Activities point members to actions such as supporting legislation or sharing articles with friends. For example:

3,000
members shared an article on toxics legislation

1.9 MILLION
friends & followers reached through social media



“Our mission in creating Generation Good by Seventh Generation was to develop a destination where parents and caregivers seeking advice about parenting and healthy living could get trusted guidance from peers, and from our brand and partners. Our lifestyle-focused community empowers members to take action on issues of importance to them. People want to be a part of ‘A Generation of Good’ in the broadest sense.”

MAUREEN WOLPERT
Grass-Roots Marketing Manager

PROVIDING A FORUM

Generation Good provides a web-based forum on creating a healthy environment and lifestyle, parenting, and more.

90,000
members, 90% women (in first ten months)

8,000
new members each month

35,000
lifestyle forum comments

113,000
social media posts, extending community

20 MILLION
friends reached



TRANSFORM COMMERCE

WE ARE DEDICATED TO CHAMPIONING HONESTY, RESPONSIBILITY,
AND RADICAL TRANSPARENCY IN COMMERCE

We know we're not the biggest kid on the block but we have a big goal — to transform commerce. We tackle this through our leadership by example, our promotion of the B Corporation standard, and our advocacy and partnership with other groups that share our goals. "To create the change we seek in the world, we are very strategic about the campaigns we wage each year," says Ashley Orgain, Manager of Mission Advocacy. "My job is to identify the issues Seventh Generation can uniquely influence, and then to bring the right stakeholders together so that we can work together to change the world."

2020 GOALS

EXERT INFLUENCE BEYOND OUR SIZE:
Advocate for industry and legislative action to create safer consumer products

2015 PROGRESS



4 NEW YORK COUNTIES
Passed toxics legislation



18,000
Signed petition to support NY state Child Product Toxics Act

2016 GOALS

BUILD #COMECLEAN COALITION
to ignite a movement for ingredient disclosure in cleaning and personal care products (AIP Goal*)

BE RADICALLY TRANSPARENT:
All ingredients, materials, packaging and supply chain disclosed



INGREDIENTS DISCLOSED
On pack and on website since 2008

DISCLOSE
ingredient geographic origin, and manufacturing partner locations

*AIP Goal: This goal is linked to our annual incentive plan (bonus).

TRANSFORM COMMERCE

TOXICS ADVOCACY

We believe that the chemicals used to make household, children's and other consumer products sold in the U.S. should be regulated and tested for safety. But the 1976 Toxics Substances Control Act is ill equipped for this task, resulting in around 80,000 potentially harmful chemicals available for use in the marketplace without having been adequately tested to ensure their safety.

For years, we have been trying to change this. In 2014, we delivered 120,000 signatures to Congress calling for responsible chemical regulation reform. Keeping up the pressure, we helped push our home State of Vermont to pass the Toxin-Free Families Act that same year.

In 2015, we took the momentum we had created successfully lobbying on our home turf to neighboring New York State. We built a coalition of like-minded businesses, NGOs and educated and activated consumers through a targeted campaign, gaining 18,000 signatures in key districts. While the statewide bill failed at the eleventh hour, four counties adopted toxics laws, adding protection for three million children - and momentum to the cause.

INGREDIENT DISCLOSURE

it's time to
#COMECLEAN seventh generation

Since 2008 Seventh Generation consumers have been able to see a list of ingredients right on our labels. We are one of the first home care companies to disclose our fragrance components, in addition to our ingredients, on our product packaging. We also provide an ingredient glossary on our website. This shouldn't be extraordinary or newsworthy but, in fact, it is. There are no regulations requiring ingredient labeling of the majority of household cleaning products. Fragrances, especially, are often undisclosed despite the fact that they may contain chemicals that have been linked to serious health effects including allergies, asthma, cancer, and reproductive harm.

In 2016, we are turning our advocacy focus to supporting legislation to require manufacturers of both consumer household and industrial cleaning products to disclose all intentionally-added ingredients, including fragrance components, on their product labels and on their websites. We are rallying consumers and others to demand action at the legislative level.



**WE BELIEVE YOU HAVE
THE RIGHT TO KNOW
WHAT IS IN THE
PRODUCTS YOU BUY.**

TRANSFORM COMMERCE

CHANGING OUR INDUSTRY



Through our membership in the American Cleaning Institute (ACI), and Director of Sustainability and Authenticity Martin Wolf's Chairmanship of the Sustainability Committee through 2015, 20 companies committed to the ACI Charter for Sustainability, and 33 companies participated in ACI's Sustainability Metrics Program, an initiative to track a common set of sustainability-related metrics to better understand and benchmark the industry's sustainability performance.

Complementing our focus on ingredient disclosure and toxics advocacy, we have tirelessly promoted safer chemicals within our industry. We are now engaged in several efforts to transform our industry's approach to chemical safety, including:

- The Sustainability Consortium's Common Chemical Criteria Task Force, which is developing common criteria for the chemical evaluation and management in the home and personal care industry.
- The Beauty and Personal Care Working Group formed by Target and Walmart to create sustainable product criteria and communicate sustainability features to consumers and supplier.



"It is exciting to see rival retailers such as Target, Walmart, and others collaborate in a precompetitive environment to pursue strategies that will elevate chemical safety across the industry."

MARTIN WOLF
Director of Sustainability and Authenticity

CLIMATE CHANGE ADVOCACY

As part of a company-wide focus on climate change (See Climate Strategy, p. 14) we have joined with like-minded businesses as part of BICEP to push for progressive climate change policies. To advance climate leadership in our state, we brought the Climate Declaration to Vermont. Twelve leading Vermont brands joined us in signing the Vermont Climate Declaration to support strong action at COP21 in Paris and policies that will lead to a future of renewable energy at home in Vermont.

TACKLING CLIMATE CHANGE IS ONE OF VERMONT'S GREATEST ECONOMIC OPPORTUNITIES OF THE 21ST CENTURY
(AND IT'S SIMPLY THE RIGHT THING TO DO).

"WE, BUSINESS LEADERS OF VERMONT, believe that climate change poses a real threat to our state's economy, the environment and the long term well being of our citizens. We endorse the Climate Declaration because we support investment in a low carbon economy, promotion of energy efficiency and renewables, and a price on carbon pollution. We commit to putting these principles to practice in recognition of the economic opportunities associated with reducing our greenhouse gas emissions, the development of renewable energy and alternative fuels and the preservation of our environment for ourselves and for future generations."

TRANSFORM COMMERCE

GOVERNANCE

The Board of Directors ensures that Seventh Generation is managed responsibly and upholds our B Corporation charter commitment to serve all stakeholders. Each of the three women and six men who comprise the board are elected annually and share a commitment to our profitability as well as our founding mission. Board members serve as representatives of our entire stakeholder base.

Within Seventh Generation, our Corporate Consciousness Steering Committee (CCSC) includes the CEO, two members of the Executive Leadership Team, two members of the CC team, and a member of our community leadership. The committee sets the sustainability agenda for the year, and approves goals and budgets. The CC team then works with the Business Units and functional departments to implement programs and projects to achieve the goals. Tim Fowler, SVP, R&D, Supply Chain and Sustainability, notes that, "We've successfully embedded responsibility for implementing programs to achieve our yearly sustainability goals into the Business Units. The CCSC then reviews sustainability activities throughout the year to ensure we are on track to fulfill our long-term vision."

The Board hears a full sustainability update at one of its four annual meetings and discusses specific sustainability issues throughout the year. In 2015, the Board asked the company to review how it is addressing water (a task for 2016) and to engage more deeply on diversity and inclusion. The latter request came after a moving presentation by a specialist in the field at the board's June meeting. (See the Diversity section of this report.)



ACCOUNTABILITY

The Seventh Generation Annual Incentive Program (AIP) bonus plan is tied to the corporate sustainability goals to ensure that everyone across the organization is invested in the program's success. This helps spread responsibility for sustainability across the company. Each employee must meet two personal requirements (volunteering and engagement) in order to receive any bonus.

In addition, the Corporate Consciousness Steering Committee links several annual sustainability goals, supporting our aspirational pillars, to 20% of the company's overall bonus. Individuals and teams also have responsibility for specific sustainability targets in their yearly goals. "Linking goals to the bonus plan institutionalizes our sustainability aspirations and reinforces the importance of our mission," says Ashley Orgain, Manager of Mission Advocacy.

ETHICS

As a mission-driven organization, ethical behavior is of critical importance to us. Seventh Generation published a [Supplier Code of Conduct](#) in 2014 that is based on the SA 8000® Social Accountability Standard and contains an ethics section. The Executive Leadership Team and CEO hold responsibility for adherence to our ethical standards across the business.

BONUS REQUIREMENTS

20 HOURS

Volunteering 20 hours (one percent) to worthy organizations

100%

Participation in our employee engagement program known as LEAD (Learn, Engage, Act, Demonstrate)

REPORTING

STAKEHOLDERS AND MATERIALITY

In 2014, Seventh Generation conducted a structured assessment to determine which issues are most important (or material, in reporting parlance) to our company and our stakeholders. This analysis followed the Global Reporting Initiative (GRI) G4 Guidelines and continues to provide insight to our reporting and strategic planning. As part of this process, we identified our stakeholders as: employees, consumers, suppliers, retailers, and the many organizations we partner with to further our mission. While we did not repeat a formal materiality assessment in 2015, the company communicates with these stakeholders regularly and considers their evolving concerns.



THE HIGHEST-RANKING MATERIAL ISSUES FOR SEVENTH GENERATION REMAIN:

- SUSTAINABLE MATERIALS AND INGREDIENTS
- WASTE
- INGREDIENT SAFETY AND TOXICITY
- EMPLOYEE WELLBEING
- GHG EMISSIONS
- INGREDIENT TRANSPARENCY

At Seventh Generation, we value our long-standing commitment to transparency. Our 2004–2013 sustainability reporting has conformed to the Global Reporting Initiative (GRI) Guidelines. In keeping with our decision to provide a shorter update every other year, we published a 2014 mini-report that was informed by the GRI approach. This 2016 report, covering 2015, is a full-scale report. Although it does not fully comply with the GRI G4 Guidelines, the report references the GRI disclosures by number in the GRI Reference Table to ensure comparability with this standard.

A group of internal stakeholders reviewed this report, as did Ceres, a non-profit organization advocating for sustainability

leadership. We appreciate Ceres' thoughtful comments, which were designed to help Seventh Generation continue to model how to be a responsible, transparent, mission-driven business.

Report reviewers generally appreciated the level of transparency in the draft report but challenged us to provide a clearer sense of the company's path toward its 2020 goals and beyond. Commenters also suggested greater clarity on governance mechanisms, the bonus structure, sustainable sourcing plans, product safety standards, and supplier performance and goals. We have addressed all of the comments we received in varying degrees and note that we may be able to incorporate a greater discussion on some of these items in subsequent communications.

REPORTING

GRI REFERENCE TABLE

This report references the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines. Selected Standard Disclosures that this report partially or fully addresses are listed below for reference.

GRI G4 DISCLOSURE	DESCRIPTION	PAGE(S)
G4-1	CEO Letter	Pages 4-5
G4-2	Key Impacts, Risks and Opportunities	Pages 4-5, 8-9, 14-16, 20, 28
G4-3, 5	Organization Name, Location	Back cover
G4-7	Nature of Ownership	Pages 6
G4-4, 8	Products, Markets Served	Pages 6
G4-10	Employees	Pages 22-25
G4-24, 25	Stakeholders	Pages 32
G4-30, 31	Reporting Cycle and Contact	Pages 32-33
G4-34	Governance	Pages 31
G4-56	Ethics and Values	Pages 3, 31
G4-EN1	Materials Used	Pages 10-13
G4-EN18	Recycled Material Inputs	Pages 15
G4-EN18	Greenhouse Gas Emissions Intensity	Pages 15
G4-EN15	Direct GHG Emissions (Scope 1)	Pages 15
G4-EN16	Indirect GHG Emissions (Scope 2)	Pages 15
G4-EN17	Other Indirect GHG Emissions (Scope 3)	Pages 15
G4-EN19	Reduction of Greenhouse Gas Emissions	Pages 15
G4-EN30	Transportation Impacts	Pages 15
G4-LA1	Employee Turnover	Pages 22
G4-LA13	Gender Pay Ratios	Pages 23
G4-PR3	Product Transparency	Pages 10-13, 16-19



WE'D LOVE TO HEAR FROM YOU!

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