



FUTURE TENSE

The Seventh Generation Corporate Consciousness Report for 2012

MINDFUL OF OUR RESPONSIBILITY TO CARE TODAY
FOR SEVEN GENERATIONS OF TOMORROWS, WE
WORKED IN 2012 TO RESET OUR FUTURE PATH. AS A
COMMUNITY, WE CAME TOGETHER TO ARTICULATE
THE FOUR ASPIRATIONS THAT GUIDE OUR WORK
AND THAT FRAME THIS REPORT.

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This report was designed with an interactive, online format.
We encourage readers to view the web version at www.seventhgeneration.com/2012report

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NURTURING NATURE

We aspire to care today for the next seven generations of tomorrows.



in her OWN WORDS

KAY GEHARDT ON TESTING AND TRANSPARENCY

1999-2012: 14 YEARS OF SAVINGS

WE USE RECYCLED MATERIALS AND SAVED:

1,032,000 full-growth trees

2.7 million cubic feet of landfill space

219,000 barrels of oil

979,000 pounds of VOCs



Virgin Plastic Goal Update:

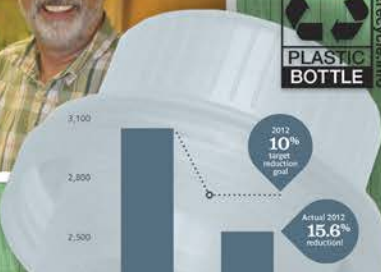
2012 Goal met

BioPreferred Certification Goal Update:

2012 Goal met



PACKAGING PETE!



BIO CERTIFIED PRODUCTS

'11	'12	Total
42	32	74

All of our eligible products!

ENHANCING HEALTH

We aspire to enhance health through education, activism, and innovation.



in his OWN WORDS



Uses up to 10% less wood

Uses 10% less energy

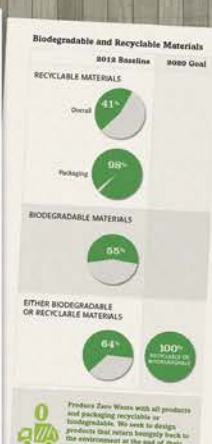
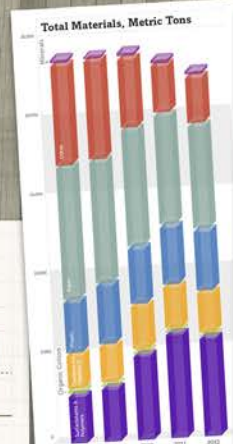
Uses 10% less water

Our new bio brown pulp diaper.



WVE is harnessing the energy of women across the globe so they can raise their voices to advocate for changes that support women's health and women's bodies.

OUR NEW PLANT-BASED SKIN SERUM, BOOSTS FORMULAS THAT NURTURE NATURE



TOXICS REFORM SAFER CHEMICALS NOW

WANT ACTION ON CLIMATE CHANGE



INTRODUCING OUR NEWLINE OF PERSONAL CARE PRODUCTS



25 YEARS



BUILDING COMMUNITIES

We aspire to advance social justice and equality to unleash human potential.



ASHLEY DESCRIBES OUR PARTNERSHIP WITH THE SUSTAINABILITY ACADEMY.



UNLESS SOMEONE LIKE YOU cares a whole awful lot, NOTHING'S going to get BETTER. It's not.

TRANSFORMING COMMERCE

We aspire to champion honesty, responsibility, and radical transparency in commerce.



Seventh Generation has a proud tradition of ingredient disclosure and a refusal to use Chemicals of Concern in our products.



DONATIONS, 2012

	'09	'10	'11	'12
Amount	\$435,600	\$102,600	\$313,600	\$274,909
Rank	6.3 th	77 th	207 th	12 th

2012: CONSUMER ENGAGEMENT

- 1 million+ Facebook Likes
- 425,000+ Seventh Generation Nation Members
- 50,000+ Twitter Followers
- 19,000 Email & Phone Contacts



VOLUNTEER HOURS, 2012



2011-2012 100% increase in volunteer hours



CHICO!



one of 21 canines on the team!

Certified

B

Corporation

We B Awesome.

Seventh Generation's B Impact Report

	2011	2012
Governance	12	10
Workers	28	22
Community	12	32
Environment	65	9
Overall B Score	116	80

SALES GROWTH

	'08	'09	'10	'11	'12
Growth	51%	2.8%	11%	7%	9%



WE SUPPORT A GLOBAL PALM OIL SUPPLY SOLUTION

2011



OUR
VISION

♻️ Caring today for seven
generations of tomorrow.™

seventh
generation™





CEO John Replogle's Perspective

Dear Stakeholders,

Greetings and thanks for your loyal support of our business over the past 25 years! As we reach this remarkable milestone, while we are proud of our impact as a business, we are even more grateful for all those who made such a journey possible!

Seventh Generation was founded on the idea that business can be a powerful instrument for change. By meeting high standards of transparency, accountability, and performance voluntarily, we believe we contribute to a brighter future for the whole planet. As an agent of positive change, we strive to do everything with the health of our consumers and the health of the earth in mind.

Each year, our annual Corporate Consciousness report provides the opportunity for us to step back and ask ourselves if we're driving the kind of change we want to see and if we're moving fast enough. This year, in particular, we are reflecting on the long arc of our work looking both back to the past and forward to the future.

One of our most important achievements in 2012 was spearheaded by a group of employees. They came together to simplify our mission into four aspirational principles that define who we are and where we are heading. Articulating our goals in this way has unified us in their pursuit and enabled us to develop a 2020 Roadmap with cohesive year-to-year goals and business plans across all units in our company.

- **Nurturing Nature:** To create the best products and the best packaging we can, we continue to push ourselves on the science of sustainability. By increasing the plant-based content of our ingredients over the past several years, we achieved [USDA BioPreferred Certification](#) for all 74 of our eligible products. To nurture nature truly through our products, we are working toward a goal of fully recyclable or biodegradable products made from plant-based or recycled materials. Our belief in the power of plants over petroleum, and tight control of the logistics of our distribution system led to a 6 percent absolute reduction in our greenhouse gas emissions since 2011.
- **Enhancing Health:** While working to keep chemicals of concern out of our own products, we have also been advocating for tighter toxic chemical legislation that would keep the worst actors out of all consumer products. Leveraging social media has allowed us to extend the reach of our consumer engagement on vital health issues, and our support of key organizations such as the Breast Cancer Fund and Women's Voices for the Earth adds further weight to our goal to reduce exposure to environmental toxins. We are pleased notable companies like Johnson & Johnson and Proctor and Gamble have decided to reformulate away from select toxic substances in some of their products. We remain hopeful they and others will go further and that the toxics control legislation being debated by Congress finds a positive resolution in the year ahead.
- **Transforming Commerce:** Through our leadership within the American Cleaning Institute, Seventh Generation is paving the way for meaningful change by setting the standard for ingredient disclosure. As a member of BICEP (Business for Innovative Climate & Energy Policy), we're partnering with other progressive companies to advocate for responsible climate change policies. We also recognize our own need to place a greater emphasis on embedding sustainability principles more firmly within our own supply chain by working more closely with our supplier partners over the next year.
- **Building Communities:** We tied our four sustainability goals into our Annual Incentive Program so that we measure and reward what matters most! Two of these goals — both met — supported community, and demonstrated the value we place on this piece of our mission. With passion and good humor, Seventh Generation employees went out into the larger community to plant gardens, serve meals, and mentor local students. While we met our goal of 100 percent employee engagement, high turnover over the past two years has challenged us in fostering the thriving workplace we envision. Our goal over the next several years is to solidify and strengthen our culture and internal community as we strive to be #1 in the "[Best Places to Work in Vermont](#)" survey.

As we look ahead, we share deep gratitude to all that have made this journey possible. I am grateful to be able to infuse my work with purpose, supported by a tremendous group of talented, passionate people who find joy and purpose in what they do every day. Thank you to all my colleagues at Seventh Generation and to all our partners for helping us grow ever closer to the sustainable future we are working to craft.

John Replogle, CEO



Plants Not Petroleum

All products and packaging biobased or recycled



Reduce Our Carbon Footprint

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

nurturing nature



ASPIRATION:
Nurturing Nature
We care today for the next seven generations of tomorrows



Zero Waste

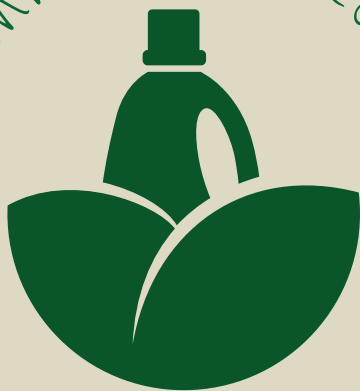
All products and packaging biodegradable or recyclable



Source Sustainably

All agricultural materials are sustainably sourced

enhancing health



ASPIRATION:
Enhancing Health
We enhance health through education, activism, and innovation



Create healthy products for healthy homes

All products are non-toxic

ge



Be radically transparent

All ingredients, trace materials and supply chain disclosed



Influence beyond our size

Our industry creates safer consumer products, reduces greenhouse gas emissions, and takes responsibility for its product packaging



ASPIRATION:

Transforming Commerce

We champion honesty, responsibility, and radical transparency in commerce



ASPIRATION:

Building Communities

We advance social justice and equality to unleash human potential



Nurture thriving communities

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

Give 1% to our community



Create a vibrant workplace

Create the "Best Place to Work" in North America

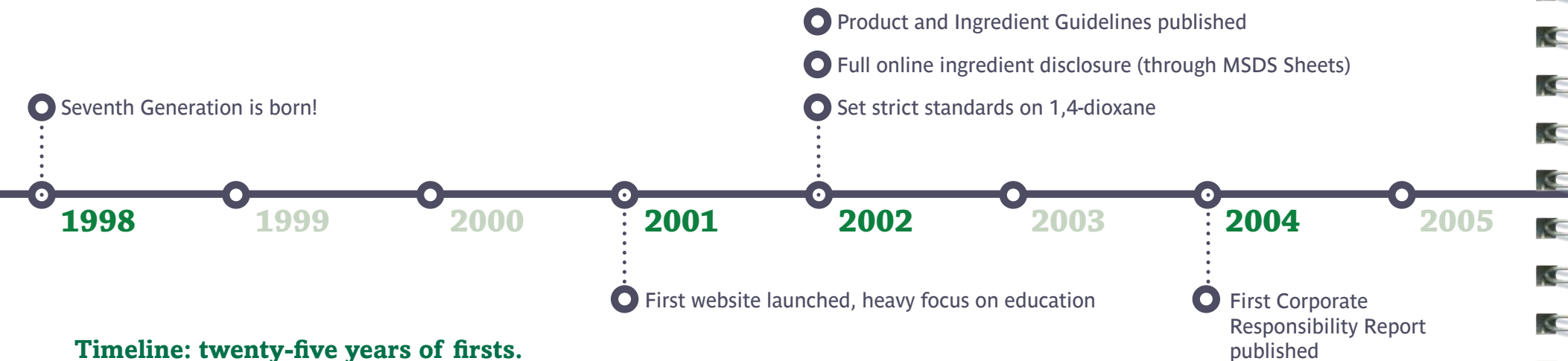
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Our Company

Seventh Generation is a leading brand of green household and personal care products. Established in 1988, the Burlington, Vermont-based company remains an independent, privately-held company distributing products to natural food stores, supermarkets, mass merchants, and online retailers across the United States and Canada.

As we celebrate our 25th year in business in 2013, we remain committed to creating products that are mindful solutions for pets, people, communities and the environment. As a pioneer in corporate responsibility, we want our products to make a difference—from their development to their production, purchase, use, and disposal.



Aspirations and Goals

Seventh Generation has been a mission-driven organization from our earliest days, when we first embraced the Iroquois belief of caring for the next seven generations. We haven't always done a great job of articulating our shared vision of the future and linking that vision to concrete goals and business plans. A group of 25 of us from across the company set out to change that through a lively aspiration-defining exercise in December 2012. In early 2013, we are still refining the 2020 goals listed below.

2020 Roadmap and Goals Alignment

"The company needs a North Star," says Reed Doyle, Director of Corporate Consciousness. "With half of our community joining us in the past two years, it is important that we have aspirations that guide the company and continue to establish our leadership in

the industry. The power of where we ended up is that our four aspirations reflect both our DNA and our promise to the next seven generations."

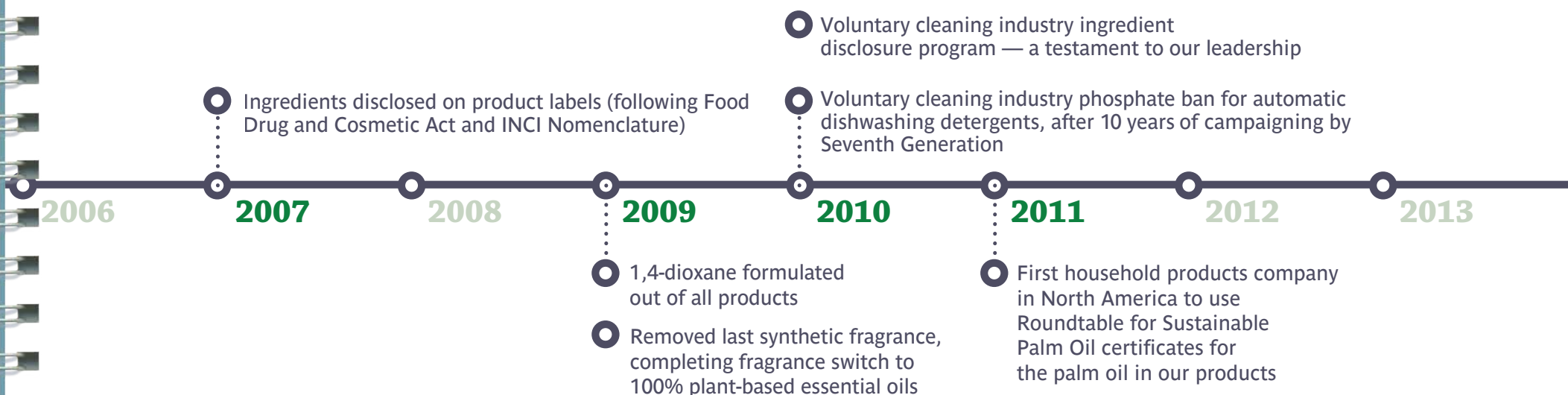
We developed nine goals that will ladder up to these aspirations and are working to set short-term and mid-term targets for each of these as part of our 2020 Roadmap. To ensure success, we are embedding accountability for these targets firmly within specific business units. "As we defined these targets, we had to ask ourselves a lot of tough questions," explains Reed. "How do we enhance health? How do we evolve our supply chain into a true value chain? How will each one of us play a part in getting us where we need to go? How do we ensure that these aspirations infuse our day-to-day activities?"

To be true to our heritage as a mission-driven company, our sustainability goals should carry as

much weight as our financial ones. In 2012, we tied four of our sustainability goals to ten percent of our Annual Incentive bonuses in an all-or-nothing formula. (We report on our successful achievement of these goals throughout this report: employee engagement; volunteering; virgin plastic reduction; and [BioPreferred Program certification](#).) In 2013, twenty percent of our bonuses will be linked to key sustainability goals. The following year, we will upgrade the process further by establishing the goals earlier in the year, which will allow us to integrate them into the annual operating plan more effectively.

Awards

[Global Green's 2012 Corporate Environmental Leadership Award](#) was given to CEO John Replogle.



NURTURING NATURE

♻️ Caring today for seven
generations of tomorrow.™

seventh
generation™





Nurturing Nature

We aspire to care today for seven generations of tomorrows by choosing plants not petroleum, sourcing sustainably, decreasing our carbon footprint and producing zero waste.

Products that Serve the Next Generations

Seventh Generation brought 48 new products to market in 2012, including 90 new products, sizes and scents. Building on our strengths with related products, we entered the adult and baby personal care categories, while also developing several new specialty cleaners. Finding suppliers that meet our quality and sustainability expectations is vital for us to branch out in new directions. In 2012, we developed and nurtured five new supplier partnerships.

Whether dish liquid or lotion for a baby's tender skin, we won't put our name on anything unless we are sure that it meets our standards for human and environmental health and is both effective and affordable. We rely on the principles of green chemistry and on our own rigorous protocols.



Formulas that Nurture Nature

Heather Beach,
Senior Research Scientist

"When our team was asked to develop the new lines of personal care and baby care products that we launched in 2012, I knew what a challenge this would present. We aspire to 'nurture nature,' with a goal to use ingredients that come from plants not petroleum. This gives us a much more limited palette of ingredients to draw from in our formulations.

"We don't manufacture our own products so we have to choose creative suppliers as partners. A great example of this is the way we improved the surfactant (a key ingredient in soil removal) in our laundry detergent. We partnered with Rhodia to develop a bio-based version from a combination of sugar cane and palm kernel oil. The new surfactant is not only 100 percent plant-based but very effective. As part of our commitment to exert a positive influence on our entire industry, we are not seeking exclusive use of this surfactant but making it available to other manufacturers.

"Another policy is having biodegradable formulas. We found that we could use coconut oil as a shine agent

in our specialty cleaners instead of silicone, which is not biodegradable. This was a really interesting design solution. Our ingredient standards regularly lead us to find innovative solutions to product formulation challenges. We are still searching for a bio-based preservative for our laundry detergent that meets our efficacy standards. It will be interesting to see what species will contribute the solution to this challenge!

"It was thrilling to work on our new plant-based skin serum, Boost, launching in July, 2013. We have developed a unique plant-based, preservative-free skin care system that is both high-performing and affordable. We will have the first mass entry into this market.

"Full of petroleum-based ingredients and water, conventional moisturizers can strip the face of

moisture. So, many people get stuck in a cycle where they need to apply even more moisturizer and their skin is not able to achieve a healthy balance. Direct-to-skin products based on essential oils are prevalent in beauty care in Europe. To help North American consumers with the switch to having oil on their faces, we are using a fast-absorbing carrier oil system of three oils with a dry powdery feel. There are also two or three botanical nourishing ingredients in each product and the mix is preserved with rosemary oil. Essential oils provide the scent for each of the six products in this line.

"We aspire to 'nurture nature,' with a goal to use ingredients that come from plants not petroleum."
Heather B.



"My background is as a chemist and an herbalist, so I was very excited for the opportunity to source botanical extracts and essential oils from plants grown around the globe for the Boost skin care serums. These include Tamanu oil from the island of Vanuatu, Baobab from Africa, Acai from the Amazon, Argan from Morocco and many others. The products contain these oils to drive amazing skin benefits along with a botanical carrier oil blend that gives them a non-greasy, fast absorbing feel."





"We adhere to the Precautionary Principle, meaning that substances are guilty until proven innocent in our eyes." Heidi R.



Exacting Ingredient Standards

Heidi Raatikainen,
Associate Scientist

"It's not just the right formula that matters; it's the raw materials as well. We ensure the quality of our ingredients through strict ingredient standards and rigorous testing. We adhere to the Precautionary Principle, meaning that substances are guilty until proven innocent in our eyes.

"We do our own research examining lab results and reviewing literature on each of our ingredients and others in the same family. Our switch to plant-based sodium lauryl sulfate (SLS) in our cleaning products demonstrates the care we take in ingredient selection. For years, we used sodium lauryl ether sulfate (SLES) as a surfactant while we worked to eliminate a problematic byproduct: 1,4-dioxane. Switching to SLS proved effective but there was a public perception that it is harmful. We investigated each issue and found that the only negative impact from SLS is that it can be an irritant. Our chemists were able to develop formulas where that is not a problem. We are happy to see that some of our competitors are also following suit.

"We conduct a multi-faceted review of our ingredients that encompasses potential health and environmental safety concerns. These



include reviewing ingredients as possible carcinogens, endocrine disruptors, sensitizers, mutagens, and the list goes on. We do not want to put chemicals of concern in our products. Our review is first and foremost to ensure that the ingredients meet our own high standards, but also to support any claims (such as no animal products). Our material suppliers provide 13 types of documentation covering topics including the plant-based percentage, biodegradability, country of origin, and proof the ingredient meets the [Leaping Bunny](#) standard (no animal testing)."

Testing and Transparency

Kay Gebhardt,
Senior Project Analyst

"We confirm everything about our products through extensive testing.

When a product meets our rigorous standards, we know we can feel good about it.

"In addition to the human-effects testing (such as for irritation) that occurs during product development, we add another layer of assurance by testing our finished products. We engage independent, third-party laboratories to screen our products annually for numerous chemicals, including some such as parabens and phthalates that are not in our formulas but are of concern to consumers. These labs use standard methodologies to test for the presence of: 1,4-dioxane, alcohol, formaldehyde, hypochlorite, phosphates, latex, nitrosamines, parabens, phthalates, triclosan, monoethanolamine, nonylphenol diethoxylate, and organic halides (chlorine in fibers).

"It is always possible to have cross-contamination occur and when we detect anything unexpected, we immediately focus on figuring out why. We also try to bring our consumers into the conversation so that they understand what has occurred and how we are handling it.

"For example, we have always wanted to ensure that our diapers do not contain natural rubber latex that could possibly cause an allergic reaction in our smallest and most sensitive consumers. In 2012, we were surprised to find the presence of synthetic latex during one of our routine product screenings. We did some research and found the source of the synthetic latex in the diaper glue. Synthetic



latex does not contain the proteins that cause an allergic reaction and is actually used as a substitute for natural rubber latex. Regardless, this got us thinking about how relevant the claim really was. Natural rubber latex is rarely used as an ingredient in modern disposable diapers and we've tested our diapers for irritancy, so we know they meet our strict standards. It feels like greenwashing to u a claim that is no longer relevant to the product, so we've decided to remove the claim from our diapers and traini pants in the near future. Rest assured, the diapers are st free of natural rubber latex, so they can be safely used b anyone with a latex allergy, but our claim didn't feel any more authentic than claiming that our hand dish liquid is free of rocket fuel."



Number of Certified BioPreferred Products



Talking About Biobased Products

Seventh Generation's belief in using ingredients from plants not petroleum is a powerful point of difference for our company. It wasn't until 2011 that we had an effective way of talking about this with consumers. That was when the Department of Agriculture (USDA) introduced a new program to certify the biobased content of consumer products. The new BioPreferred Program gave us a rigorous, scientific way to measure our plant-based content and to communicate our results on our labels.

In most cases, we rely on our own standards, as formal certifications do not distinguish between products that greatly exceed a standard and those that meet the minimum requirements. In effect, Seventh Generation's name is its environmental seal.

The USDA program was suspended for a few months due to a lapse in funding but is resuming its work in July 2013. We are continuing to test the biobased content of our new products and all new eligible products will be submitted for certification.

Product Improvements: The Path To FSC Certified Diapers With Bio Brown Pulp

Ensuring that our diapers, a hallmark product for our brand, embody our concern for healthy babies, healthy forests and healthy streams, has been an ongoing exercise in ingenuity, flexibility and persistence. Our hard work paid off in 2012 with two major improvements to our diaper's environmental profile.

BioPreferred Certification Goal Update:

2012 Goal



met



unmet

We made an exception for the BioPreferred Program as the label specifies the degree of biobased content, allowing comparison among products. We set an ambitious goal of certifying all of our formulated products by 2012 and tied this to our Annual Incentive Program. We achieved this with all 74 of our eligible products currently certified, most with verified biobased contents of 90 percent or higher.

Seventh Generation will be the first diaper brand in North America to have earned the right to bear the [Forest Stewardship Council \(FSC\)](#) certification logo in late 2013. This verifies that the forests where we obtain our diaper pulp are managed according to stringent environmental and social standards and that we can trace our pulp through a chain of custody protocol. We will pursue FSC certification for the virgin pulp used in our other products next.

Starting in 2013, our diapers will contain bio brown pulp, which has not been processed with bleaching chemicals. We have been using totally chlorine-free (TCF) processed pulp in our diapers but are now able to obtain pulp that uses 10 percent less energy and water, eliminates bleaching chemicals, and is associated with better wastewater quality. The new process even improves wood yield, meaning that we can use 7–10 percent less wood to obtain the same amount of product.

“These are exciting steps forward in our efforts to continually evolve the sustainability of our diapers,” says Reed Doyle, Director of Corporate Consciousness. “Having achieved these improvements, we’re not going to stand still. We have some interesting ideas in the pipeline — including a focus on pushing innovation in the outer materials of the diaper.”

The story of our diapers’ evolution illustrates an unheralded aspect of product sustainability — the hard work involved in finding raw materials that meet our high standards and in locating manufacturers who can produce

to our specifications. When we first started producing diapers in 2004, we couldn’t find a U.S. manufacturer who could meet our specifications so we began working with a company in Germany using fluff pulp procured from forests in Scandinavia.

To understand the true environmental and social costs of our consumption, we took two trips to visit these forests in 2006 and 2008 to ensure that they were being managed sustainably on the 80 to 100 year

cycle necessary in northern Scandinavia, and that a healthy biodiversity was being maintained.

“We consider FSC certification to be the gold standard for its approach to protecting forest ecology and water quality and preventing the loss of natural forest cover,” says Martin Wolf, Director of Product Sustainability & Authenticity. “Despite the difficulties in converting a large collaborative of forest owners to this standard, the forestry operations of our



Achieve FSC certification for our virgin pulp

2013 Goal



pulp supplier UPM Rauma Cell became FSC certified in 2010. Now our pulp comes through UPM Rauma Cell from FSC-certified wood obtained in Sweden while our diapers are produced in the U.S.”

We use highly absorbent virgin pulp in several products in addition to our diapers: our Facial Cloths, Baby Wipes, Disinfecting-Wipes, and feminine care Chlorine-Free Pads.

Sourcing Palm Oil

Our concern for the sustainability of our ingredients does not end with our selection of plant-based materials. As palm oil is a significant feedstock in our cleaners, laundry detergents and personal care products, ensuring that we source this material responsibly is a high priority. Increased global demand for palm oil has led to the rapid conversion of high conservation value forests into palm oil plantations. This has had a devastating effect on local communities and habitats in Malaysia and Indonesia — with orangutans the most publicized victims.

As members of the [Roundtable on Sustainable Palm Oil](#) (RSPO), a global alliance that is moving the palm oil industry toward sustainable practices, we are supporting a global palm oil supply solution. To address the social and ecological consequences of our own use of palm oil, we have purchased sustainable palm oil offset credits for all the palm oil we have used since 2009. In 2012, we introduced the first line of Bar Soap formulated with segregated sustainable palm oil and bearing the RSPO Certified Sustainable Palm Oil Seal. This gives our consumers the assurance that the palm oil's harvest and production followed social and environmental safeguards.

“Our goal of using segregated, certified palm oil — instead of palm oil credits — for all of our palm kernel oil by 2014 now seems infeasible,” explains Reed Doyle, Director of Corporate Consciousness. “We are

stepping back to try to understand the true cost of our consumption and how we can make a difference. If you picture 600 trucks full of palm oil loading their goods into one tanker where sustainable and unsustainable palm oil streams are comingled, you start to truly understand the complexity. We have only been able to identify one company that offers fatty acids from certified palm oil — but these are not the variety we use in our products. We are now working on sustainable sourcing guidelines to promote change through that approach.”

While we work for a global supply of responsibly harvested palm oil, we are deepening our palm oil initiatives through our support of the Philadelphia Zoo's work to raise awareness and drive demand for sustainable palm oil. A leader in public education and conservation, the Philadelphia Zoo has embarked on a five-year Dr. Seuss-inspired “Unless” Campaign.

“Unless someone like you cares a whole awful lot, nothing is going to get better. It's not.”



Through both on-the-ground conservation activities in Indonesia and online and zoo visitor education, our gift supports use of sustainable palm oil as a means of protecting the endangered orangutan.

Reducing Our Impacts

Environmental Savings

Our use of plant-based ingredients and our packaging improvements saved enough petroleum in 2012 to drive all the way around the earth more than 1,100 times!

To substantiate the savings from manufacturing our products sustainably, we [calculate](#) the environmental savings that result from our use of renewable or recycled materials and from alternatives to ingredients such as chlorine bleach and phosphates.

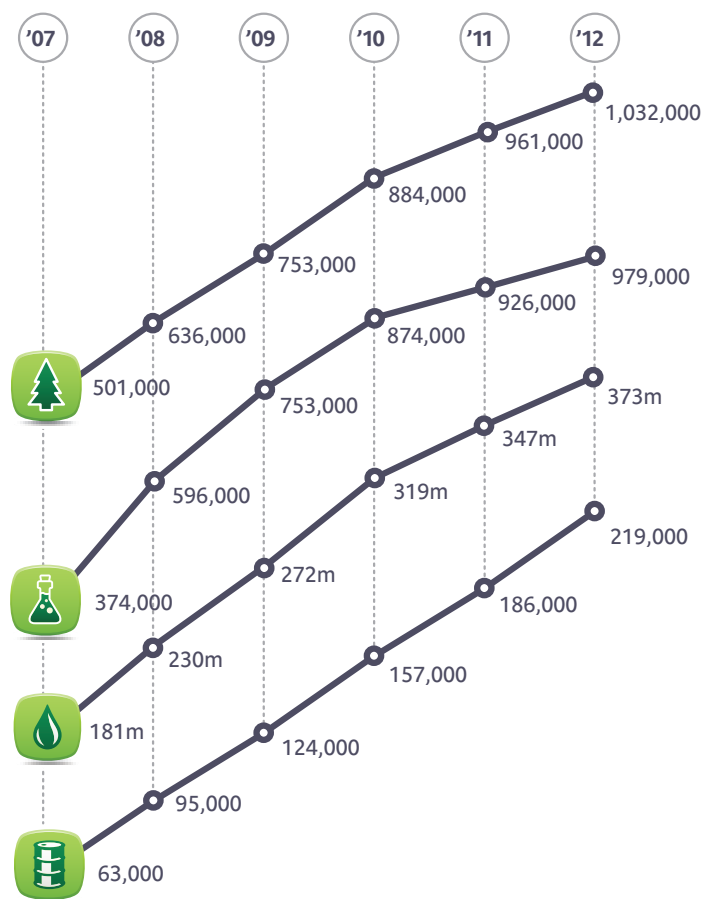
We determine our savings data by comparing our products made with renewable or recycled ingredients to our products as if they were made with conventional, petroleum-derived ingredients. Because of improvements in our formulations as well as regulatory or other changes outside our company, the savings don't index to sales consistently each year. When our industry embraced a voluntary ban on phosphates in 2010, for example, our savings (as compared to the rest of the industry) dropped to zero and we no longer track this metric. We're proud to have played a role in influencing that change!

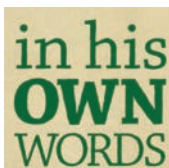
1999–2012: 14 YEARS OF SAVINGS

WE USE RECYCLED MATERIALS AND SAVED:



WE USE PLANT-BASED AND SAFER INGREDIENTS AND SAVED:

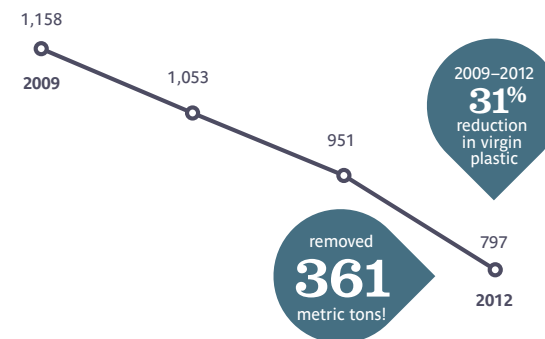




Packaging Pete Goes After Virgin Plastic

Pete Swaine, Director of Packaging Development

"I always have several sizes and shapes of Seventh Generation plastic bottles spread across my work area but I'm never happy with everything I see. At the beginning of 2012, our company was already known as a leader for the high post-consumer recycled (PCR) content in our plastic bottles, with dozens at 100 percent PCR (less



VIRGIN PLASTIC IN PACKAGING
Virgin Plastic (Metric Tons), 2009–2012

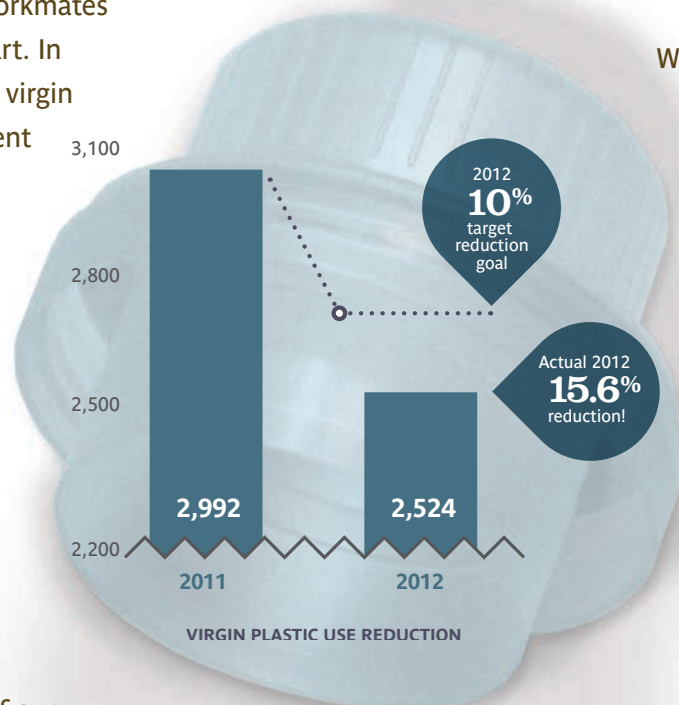
colorant) while only 25–50 percent PCR is the norm across the industry. We had a tremendous amount to be proud of — but all I could see were the bottle caps. Ours were still entirely virgin plastic.

"Our plastic caps are made from polypropylene, or #5 plastic, a sturdier plastic than the high density polyethylene (HDPE) liquid dish and laundry detergent bottles they stopper. The caps are colorless and I had been searching for a source of colorless recycled polypropylene for some time but the only available batches were colored. I always let our suppliers know my goals because they are such powerful allies in helping us push the envelope. Eventually, one of our suppliers located an adequate supply of colorless polypropylene for us.

"The next challenge was to figure out how much recycled content we could put into the caps and still reach the correct melting point needed to form the caps properly. I wanted to go as high as we could. After experimenting, we were finally satisfied that

we could incorporate 50 percent PCR and still have a well-formed cap. I don't know of any other company that has gotten this far — most have zero percent-recycled caps. I've always enjoyed paving the way and proving to the big guys how far we can go.

"We want to move beyond this and have set a 2013 goal to reduce our use of rigid virgin plastic by 25 percent in one year. This goal is tied to our Annual Incentive Plan so I know I will have my workmates to answer to if I don't do my part. In fact, we've already reduced our virgin plastic in packaging by 31 percent since 2009 even though sales increased. That means we have eliminated 361 metric tons of virgin plastic in three years. Early in 2013, we had success in bringing three of our trickiest bottle types up to 100 percent PCR reducing our virgin plastic use further. The main challenge is that we have also had some backsliding with one of our large laundry bottles and one of our spray cleaner bottles. As we have moved to new designs, our packaging partners have had trouble incorporating the same high percentages of PCR content they were able to achieve in the past. We are working on it but meeting our 2013 goal will be difficult — but then we don't like to set easy goals for ourselves."



Changing Recycling Habits

Our team has made some great changes; now it's time for Seventh Generation to help consumers do their part. Two events made it possible for us to focus on improving recycling rates in a new way. First, the [Sustainable Packaging Coalition](#) (SPC) came out with their How2Recycle labels. Second, our marketing team unveiled new packaging designs with an engaging look that unifies our brand.

We signed on as one of 11 'early adopters' of the [How2Recycle](#) labels. The clear instructions will help consumers make sense of complex recycling requirements.

For example, the sprayer on our Natural Tub & Tile Spray Cleaner can be recycled but the pumps on our 12 oz. Hand Wash cannot, as they contain metal. No wonder consumers have been confused. Now all of our packages will come with a large, clear

label with instructions on proper recycling. We are also going to be embossing the package's recycled content percentage right on the front of our bottles, showing what a priority this is for us.



Our 100% recycled fiber boxes saved over 13,000 trees in 2012 compared to standard industry practices.

Recycled Content and Renewable Materials

2012 Baseline 2020 Goal

RECYCLED CONTENT



RENEWABLE MATERIALS



EITHER RECYCLED CONTENT OR RENEWABLE MATERIALS



Biodegradable and Recyclable Materials

2012 Baseline 2020 Goal

RECYCLABLE MATERIALS



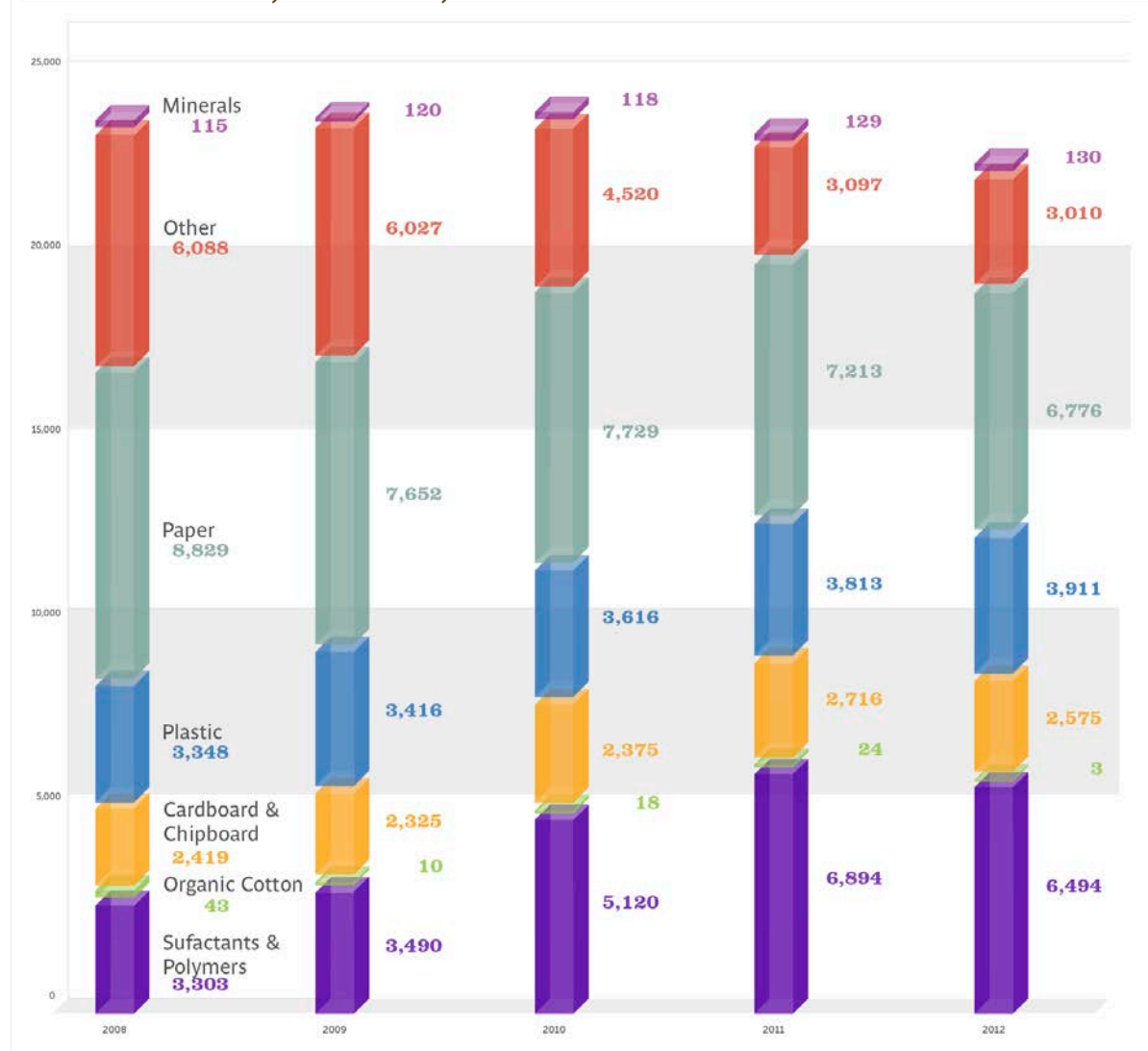
BIODEGRADABLE MATERIALS



EITHER BIODEGRADABLE OR RECYCLABLE MATERIALS



Total Materials, Metric tons, 2008–2012



Materials

Two of our 2020 goals directly address the impacts of our product and packaging material choices. Monitoring the materials in our products and

packaging closely helps us track our progress toward these goals and understand trends in our cradle-to-gate greenhouse gas emissions.

- **Choose plants not petroleum** with all products and packaging using plant-based (renewable) or recycled content. This addresses our aspiration to nurture nature.
- **Produce Zero Waste** with all products and packaging recyclable or biodegradable. We seek to design products that return benignly back to the environment at the end of their life or, in the best scenario, are actually nutrients.

Virgin Plastic

Seventh Generation has focused for many years on reducing our use of virgin plastic. We think that moving away from petroleum-derived plastic is so important that we linked our 2012 annual employee incentive to reducing our virgin plastic use by 10 percent in just one year. We blew past that goal with a 15.6 percent overall reduction in our virgin plastic use — helped by our achievements in packaging and by removing viscose and incorporating wood pulp into the substrate for our Baby Wipes. For 2013, we are zeroing in on reducing our rigid virgin plastic use, with a portion of our annual incentive tied to achieving a 25 percent reduction in just one year.

Virgin Plastic Goal Update:

2012 Goal



met



unmet

Greenhouse Gas Accounting

Climate change concerns us deeply and we are tackling this pressing issue with wide-ranging initiatives in product and packaging design, the use of plant-based materials which have lower carbon footprints than their petroleum-based counterparts, and logistics initiatives that maintain our decentralized network of distribution centers. As members of the [Ceres Business for Innovative Climate and Energy Policy \(BICEP\)](#), we are joining other progressive companies to advocate for strong climate change policies.

A highlight from 2012 was our 13 percent decrease in normalized greenhouse gas emissions and 6 percent decrease in absolute emissions, both critical metrics for our company. The GHG emissions associated with our products and packaging dropped 7 percent in one year due to our use of more sustainable materials. The 13,582 metric tons of GHG emissions we eliminated since 2008 — while sales rose 28 percent — are equivalent to the removal of 2,830 cars from the road for a year.

Greenhouse Gas Emissions

'12

normalized
greenhouse gas
emissions

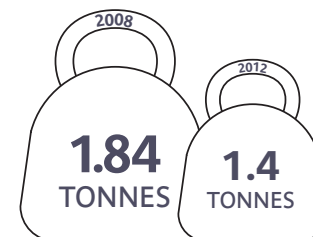


absolute
greenhouse gas
emissions



Our methodology and data is discussed in the GRI Content Index on page 50.

Total Tons GHG



Reduction of GHG/metric tons of product shipped

ENHANCING
HEALTH

♻️ Caring today for seven
generations of tomorrow.™

seventh
generation™



Enhancing Health

We aspire to enhance health through education, activism and innovation, by creating healthy products for healthy homes.

Our aspiration to enhance health is at the core of our commitment to meet and exceed our own rigorous product standards, our tireless advocacy for toxics reform, our donations to groups such as the Breast Cancer Fund and Women's Voices for the Earth that promote toxin-free health, and our consumer engagement on issues such as healthy homes and healthy families. Our mandate goes beyond focusing on toxins to encompass a broader vision of health within our workplace, our community, our consumers and beyond.

Grantees's Work to Enhance Health

Extending our mission to enhance health, the Seventh Generation Foundation awards grants to organizations that are bringing positive change and sustainable solutions to areas we touch and issues we care about as a business committed to human and environmental health.



The [Breast Cancer Fund](#) focuses on preventing this terrible disease. Our \$20,000 challenge grant enabled the organization to raise an additional \$25,000 to continue their paradigm-shifting work to identify and eliminate the environmental causes of breast cancer and reduce our exposure to toxic chemicals. We were thrilled to [join them](#) in celebrating their 20th anniversary in 2012.

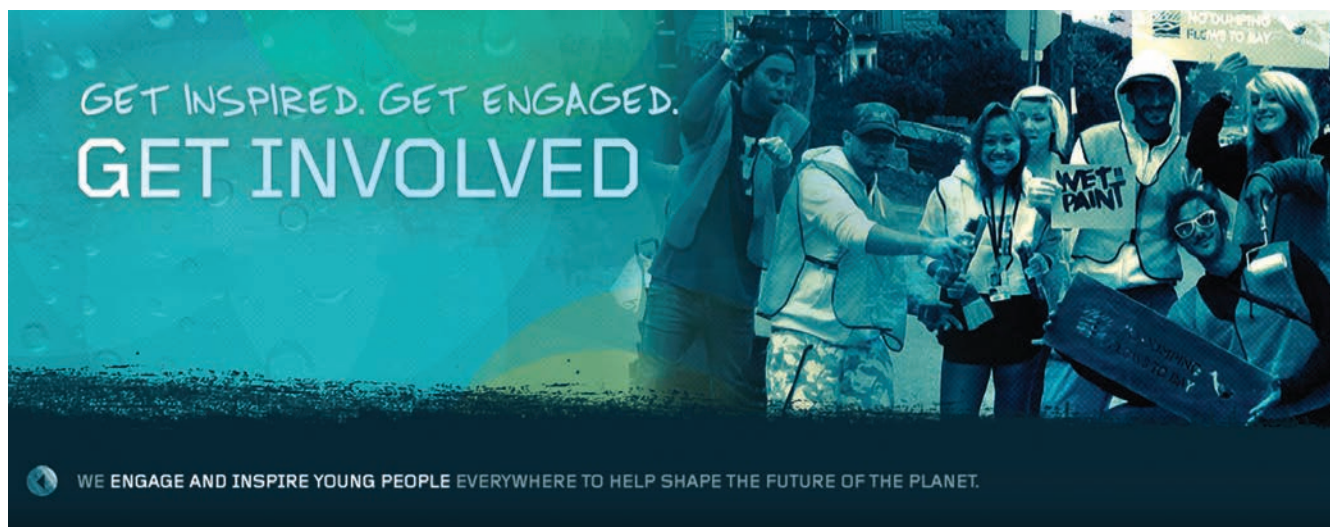
We are also proud to support [Women's Voices for the Earth](#), a national organization working to eliminate toxic chemicals most intimately affecting women's lives and the lives of their families.

Our \$15,000 grant enabled them to publish a report on the impact of allergens in household products. "Secret Scents: The Allergens Hiding in Your Scented Products" found that allergic reaction and sensitivity to fragrance chemicals is more widespread than previously thought.

It is difficult for those with fragrance sensitivities to avoid specific ingredients because companies selling in the U.S. are not required to disclose the many ingredients that comprise each of their scents. Products sold in the European Union must reveal the presence of 26 common fragrance allergens. Seventh Generation has been disclosing all fragrance ingredients, including allergens, since 1998 and we continue to be vocal advocates for systemic policy solutions such as the Safe Cosmetics Act.

"WVE Executive Director Erin Switalski came to our office and gave a compelling brown bag talk to our community," notes Ashley Orgain, Mission Advocacy and Outreach Manager. "I have been following WVE's





work for a while and was impressed with their focus on empowering women's health. But it really clicked for me when I heard about their [successful change.org campaign](#) to urge Procter & Gamble to reformulate Tide laundry detergent to reduce levels of 1,4-dioxane. WVE is not just a few voices in Montana; they are harnessing the energy of women across the globe so they can raise their voices to advocate for changes that support women's health and women's bodies."

Informed Green Solutions, Inc. (IGS) is another organization on the front lines in the fight to keep harmful chemicals out of our environment through an emphasis on environmentally preferable purchasing and green cleaning. Seventh Generation is supporting



IGS with a grant to benefit young children who attend child care centers in Vermont. IGS will educate school personnel on improving indoor air quality by purchasing products that have the least impact on human health and the environment.

IGS has a proven track record in this area. The organization has helped to transform 120 Vermont school-cleaning policies, effectively eliminating an estimated 18,000 pounds of hazardous cleaning products annually from Vermont's environment, resulting in cleaner air for nearly 40,000 Vermont children.

Inspiring the Next Generation

Seventh Generation has partnered with **Earth Echo International** on a campaign to inspire young people to create a "Toxin-Free Generation."

BUILDING COMMUNITIES

♻️ Caring today for seven
generations of tomorrow.™

seventh
generation™

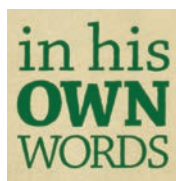


Building Communities

We aspire to advance social justice and equality to unleash human potential by creating a vibrant workplace and building thriving communities.



On Joining Our Team



**Brendan Taylor,
Senior Brand Manager**

“When I joined Seventh Generation a year ago, I immediately noticed the way the culture is galvanized around the mission. The minute you walk into the building

and start talking to people, you sense a refreshing energy that comes from doing everything a little bit better.

“I was particularly impressed by Martin Wolf’s ‘Love Our Products’ presentation for new employees. The idea that ingredients could be considered guilty until proven innocent was a completely new concept for me. As a parent and a consumer, I find this idea very comforting. Though I trusted and admired the Seventh Generation brand, I hadn’t really appreciated the genuine difference between Seventh Generation’s offerings and conventional products.

“At Seventh Generation, we create products that are as efficacious as those of the top brands — but we do it by using plant-based ingredients to create healthy products. It’s a simple concept but it’s very powerful. This thoughtful approach to the environment and human health is reflected in the way our sustainability goals guide us. It’s definitely new for me to be at a company that is as conscious of its sustainability goals as it is of its financial ones.

“The other thing that was really surprising to me was the approachability of senior management. As part of orientation, we all sat around a table with CEO John Replogle casually talking about our backgrounds and

bouncing ideas off each other. That this accessibility and free exchange of ideas with senior management has continued in day-to-day life here, I find really refreshing compared to other places I've worked.

"I immediately felt at home here — more quickly than I had at any previous job. Sweating alongside colleagues from across the company for the cleanup days at Camp Ta-Kum-Ta and the Barnes Sustainability Academy was a unique and very 'Seventh Generation' way to get to know the community. And any company that appreciates my labradoodle Ruby Ninja coming to the office with me is undoubtedly a great place to work."

Building a Great Workplace

Workplace Data

	2011	2012
Employees plus interns	113 + 6	114 + 10
Turnover, Voluntary/Involuntary	9/20	11/5
Dogs in the office	16	21
PAYROLL \$M	12.4	15.6
Best Places to Work in Vermont Survey Ranking (covering the previous year)	2	11

Diversity at Seventh Generation

Our employee compensation policies are discussed in Section LA4 on page 53. For more on employee development, see Section LA10 on page 53.

Engagement

Our mission matters. That's why we developed an employee engagement program to help us deepen our understanding of how one little company and its committed employees can make a difference on the environmental and social issues facing us today. Combining knowledge with action, our LEAD program has activities that help us: Learn, Engage, Act and Demonstrate.

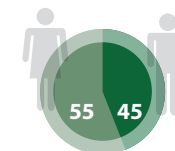
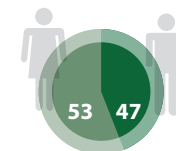
LEAD program developer, Ashley Orgain, Mission Advocacy and Outreach Manager, explains: "One of the most popular modules was our Innovation Challenge. This sprang from a conversation about what innovation is at Seventh Generation. For us, it means spurring deep change and not just getting more new products out the door. To engage the community in this challenge, we set up a competition for employees to design an innovation to drive positive change in one of our products or processes. We put a \$2,500 prize on the line for the winning team.

Gender Equity

2011

2012

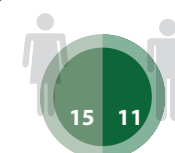
Company-wide



Vice Presidents



Managers



Board of Directors



up from
1 in
2010

Employee Engagement Goal Update:

2012 Goal



met



unmet

Volunteer Hours



You could feel the excitement in our café room as fourteen teams gave short presentations to a packed house. The winning idea was a co-branded, customized diapering solution that would use scrap material from an apparel brand's manufacturing process for the diaper's outer layer.

It was an exciting, fun experience. To ensure that future sessions yield more actionable ideas, we will identify key issues facing our Business Units ahead of time and focus our challenge efforts around those."

Each employee is expected to attend four sessions from modules on topics such as Sustainable Self and Plants not Petroleum. Our goal is 100% employee participation with part of our Annual Incentive tied to meeting in this goal for both 2012 and 2013. In 2012, we succeeded, with each of us attending four of the 18 events held during the year.

Volunteering

Volunteering is a way of life at Seventh Generation. The need is great and our tradition of helping is a rich one. We back up our belief in sweat equity by providing our employees 20

We painted and picked apples and dug gardens and served food. Here are a few highlights:

- Seventh Generation has a special partnership with the [Sustainability Academy at Lawrence Barnes Elementary School](#) in Burlington, VT. This year, employees donated nearly 900 hours of volunteer time to build an outdoor classroom and natural playground for the Sustainability Academy.
- Seventh Generation employees joined hundreds of other supporters at Bolton Valley for The First Annual Bolton or Bust: Breast Cancer Prevention Hike to highlight the importance of breast cancer prevention and benefit the work of the [Breast Cancer Fund](#).
- We pitted department against department in a competition to collect food for the [Chittenden Emergency Food Shelf](#), donating an incredible 3,918 pounds, enough to feed 100 families for a month.



Employee Volunteering Goal Update:

2012 Goal



- Our marketing department volunteered for a day of environmental service at [Williams Woods](#) in Charlotte, VT.
- Two passionate employees devoted a week to rebuilding wetlands in the Louisiana Gulf with the team from [In Good Company](#).
- Employees spent the day at Shelburne Orchards, picking 3,000 pounds of apples for the [Vermont Foodbank](#).
- The folks at the local [Committee on Temporary Shelter](#) (COTS) posted this [Thank You](#) to our volunteers for their fine work painting, cleaning and planting bulbs.



paid hours off each year to support worthy community organizations, with fulfillment of our goal of 100 percent participation tied to our Annual Incentive Program. 2012 was an extraordinary year of giving as we logged over 2,700 hours with every single one of us participating and some going above and beyond on their own time.

Giving 2.0

Since Seventh Generation's earliest days, we have believed that business can be a powerful force for meaningful change in the world. Through work within our industry, advocacy for progressive social and environmental policies, high product standards, transparency, and our donations and volunteering, our company continues to be a catalyst for good. We give both cash and product generously to non-profit organizations working to make the world a better place. In 2012, we formalized our corporate giving program with the formation of the Seventh Generation Foundation.

The Foundation's mission is to care today for seven generations of tomorrows by stewarding social and environmental progress in the communities where we live, work and do business through education, environmental conservation, research and advocacy.

We aspire to achieve our mission by making grants to non-profit 501c3 organizations that promote and improve environmental conservation, the sustainable use of natural resources and human health and social welfare.

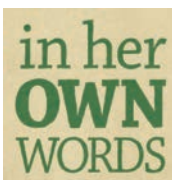
Donations

'09	'10	'11	'12
↑ 6.3%	↓ 77%	↑ 207%	↓ 12%
\$435,600	\$102,600	\$313,600	\$274,909

The Foundation operates two grant programs:

- Sustainability grants: We support U.S. based organizations working to bring about positive change and sustainable solutions by advancing the social and environmental goals we have as a business.
- VT Community Building grants: We support Vermont organizations working to help future generations thrive by making a positive and lasting difference in children's lives through progress in education and human and environmental health.

Our giving allows us to breathe life into our aspirations, supporting on-the-ground, issue experts, working for systemic change that builds communities, enhances health and nurtures nature. Significant gifts support the Breast Cancer Fund, Women's Voices for the Earth and Informed Green Solutions. See Enhancing Health on page 28 for the full story.



Inspiring the Next Generation

Ashley Orgain,
Manager of Mission Advocacy
and Outreach

"I watched as ten awestruck fifth graders gazed open-mouthed at the four-story tree before them. After a long day of travel they were itching to explore. 'Do we really get to sleep here?' one asked before dashing off to climb the tree — much as an orangutan might.

"I accompanied the group of ten, better known as the 'Green Ambassadors' on a trip to The Philadelphia

Zoo to learn about the effects of palm oil plantations on the orangutan population.

"Extending our long-standing partnership with the Sustainability Academy at Lawrence Barnes, located a few blocks from our office in Burlington, VT, we had 'adopted' the group of budding scientists. They had already visited our office several times to learn about green chemistry and palm oil. Now they were learning first-hand how one company's decision to use sustainable palm oil can affect the life of an animal on the other side of the planet.



“About 30 percent of the Sustainability Academy’s students are refugees and programs like this give the students a sense that there are people in the world who care. For them to get up close to what they’ve been studying helps them understand why we should care about animals in the wild. It was magical to see them make the connection.

“As young as they are, the Green Ambassadors, or the Orangutan Kids as they call themselves, stand to make an important difference in their school, their community, and their families. “Thanks to what the Green Ambassadors have already shared

about choosing renewable ingredients like sustainable palm oil, the Sustainability Academy is working to become an orangutan-friendly school. I’m not sure they know exactly what that means yet, but I do know every one of these kids can explain why the soap they use to wash their hands can have an effect on the life of something very far from here.

“I think it was Nelson Mandela who said that education is the most powerful weapon for changing the world. I think he’s right.”



Some of the young scientists from the Sustainability Academy at Lawrence Barnes.



Our partners in sustainability: Students from the Sustainability Academy at Lawrence Barnes.

Consumer Engagement

Seventh Generation strives to be a trusted source of information for our consumers about healthy living and healthy homes. Engaging our consumers through lively, transparent messaging on social media, blogs and other means is an important way for us to have a dialogue on the issues of the day. In exploding numbers, our consumers know they can come to us, and to each other, for answers about topics from green cleaning to current environmental health issues to learning about inspiring organizations such as the Breast Cancer Fund that are on the front lines in the battle to reduce our everyday exposure to toxins. Our 2012 consumer engagement campaign was focused on Dr. Seuss's *The Lorax* and the role of global palm oil demand in shrinking orangutan habitat. Our new Toxin-Free Generation campaign will help consumers understand the prevalence of toxins in common household products and how to make healthier choices.

Our consumers are critical partners in our efforts to reduce our company's environmental impacts. We know that over 90 percent of the greenhouse gas (GHG) emissions associated with our laundry detergent occurs during household use for heating wash water and drying clothes. Through blogs such as "[The Dirt on Laundry](#)," we are beginning a dialogue on this issue. Look for more on this topic as we work with others in our industry to encourage low-carbon washing methods. This is the focus of our corporate carbon footprint reduction efforts as we pursue our 2020 Goal of having all consumers wash in cold water.

2012: CONSUMER ENGAGEMENT



1 million+
Facebook Likes



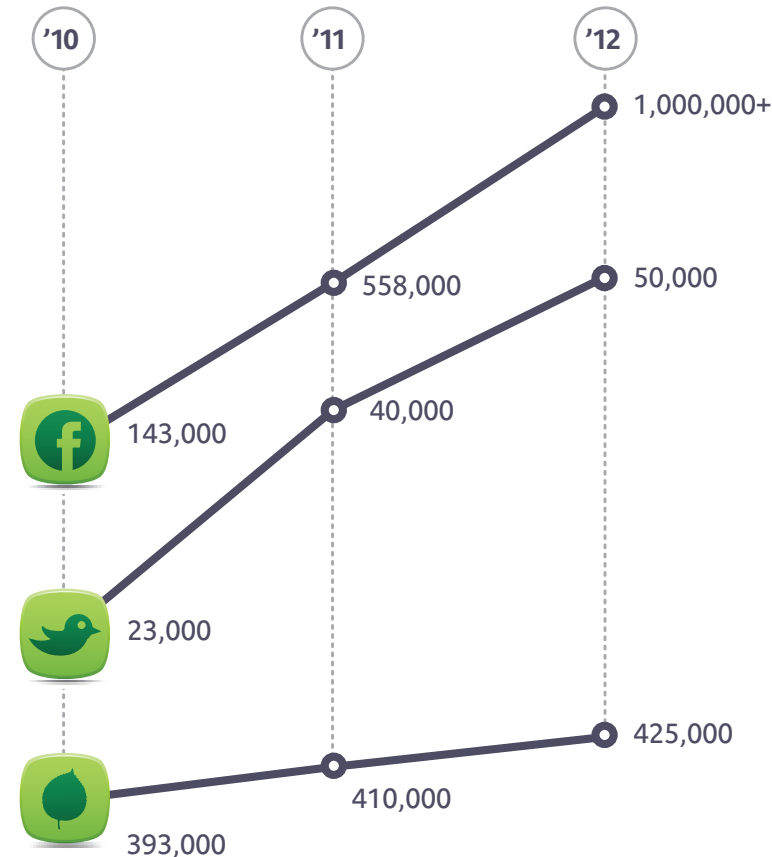
425,000+
Seventh Generation
Nation Members



50,000+
Twitter Followers



19,000
Email & Phone Contacts



TRANSFORMING COMMERCE

♻️ Caring today for seven
generations of tomorrow.™

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Transforming Commerce

We aspire to transform commerce by championing honesty, responsibility, and radical transparency.

Our aspirations are founded in the belief that the business sector can play a vital role in creating a future of thriving communities and a healthy environment. For this to happen, commerce itself must change. Seventh Generation has always sought to have an influence far greater than our size in fostering this transformation. We demonstrate our own corporate responsibility through our commitment to transparency (annual Corporate Consciousness reports such as this one and ingredient disclosure on our packages) and through our certification as a B Corporation. We also value our relationships with many organizations that share our goals of business responsibility, healthy products and a healthy environment — groups such as the [Green Chemistry & Commerce Council](#) (GC3), [BizNGO](#) and [Vermont Businesses for Social Responsibility](#).

Seventh Generation also has a proud tradition of forceful advocacy for change on such topics as toxics legislation, ingredient disclosure and sustainable principles within our own industry.

Advocacy

At Seventh Generation, we don't just make products; we seek to engage others in conversations and collaborations about changing our world in positive ways. We seek to link arms with non-profit organizations, retailers, our supply chain partners and consumers so that together, we can exert influence beyond our size.

Climate Change

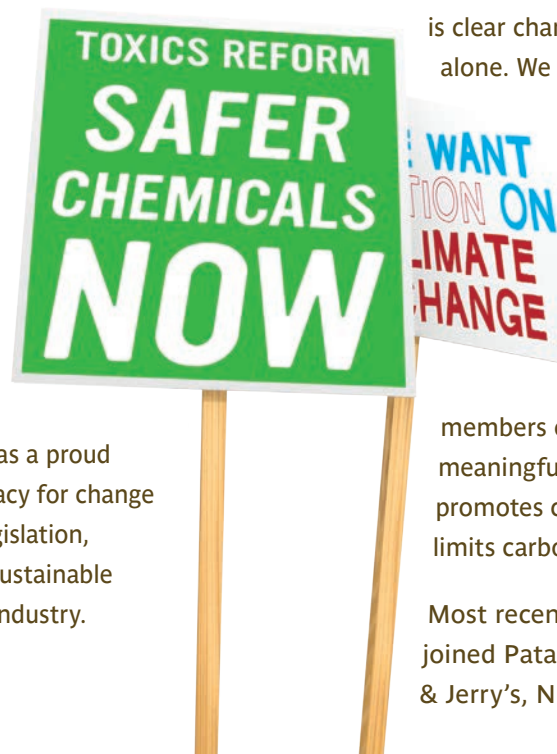
Climate change is an issue of deep concern to us.

As we work to reduce our own carbon footprint, it is clear change will not come from our actions alone. We know we need to work closely with

others to protect our planet for future generations. That's why we joined the visionary companies of Business for Innovative Climate & Energy Policy ([BICEP](#)) in early 2009. Sponsored by Ceres, BICEP brings key allies in the business community together with relevant

members of Congress. The goal is passage of meaningful climate change legislation that promotes clean energy, boosts efficiency and limits carbon emissions.

Most recently, in April 2013, Seventh Generation joined Patagonia, Starbucks, Levi Strauss, Ben & Jerry's, NIKE, Stonyfield Farms and other



American business leaders in signing BICEP's "Climate Declaration." Signatories view tackling climate change as one of America's greatest economic opportunities and urge our nation to demonstrate the necessary leadership and sweeping vision to confront this challenge.



Safer Ingredients

Martin Wolf,
Director of Product Sustainability
& Authenticity

"At the 2012 Safer Consumer

Products Summit in California, I was struck by the range of knowledge the participating companies had about the ingredients in their products. One hardware manufacturer had no idea what was in his company's products. Seventh Generation was at the other end of the spectrum with a proud tradition of ingredient disclosure and a refusal to use Chemicals of Concern (CoCs) in our products.

"Inadequate industry action in the area of toxic substances use and ingredient disclosure is all the more concerning given the lack of strong federal legislation to control toxic chemicals. Ordinary consumer products contain hundreds of chemicals — only a few of which have been fully tested for safety. The law intended to address this, the Toxic Substances Control Act (TSCA) of 1976, has long been insufficient. Seventh Generation has been working passionately for years to address this problem by supporting sound federal toxics control legislation, by working with our industry to promote ingredient disclosure and use of safer chemicals, and by educating consumers about toxics.



"States such as California, Maine and Washington have acted where the federal government has not. State regulations on CoCs have resulted in some companies, such as the hardware manufacturer I mentioned, eliminating CoCs immediately, rather than waiting for federal action."

"At Seventh Generation, we have always sought to have influence greater than our size. This influence has been particularly evident in the transformation of our industry's approach to ingredient disclosure and reduced use of chemicals of concern. While we have always disclosed ingredients on our product labels

FEDERAL ACTION

The Chemical Safety Improvement Act, introduced in the Senate in May 2013, is a bi-partisan bill that includes necessary reforms to the 30-year-old Toxic Substances Control Act (TSCA), but it falls short in a few key areas.

Urge your legislators to strengthen and pass chemical policy reform.

and on our website, this has not been the norm in our industry. We helped craft the [American Cleaning Institute's](#) (ACI) Voluntary Ingredient Disclosure initiative, which prompted many in the industry to disclose their ingredients on their websites, a big win for consumers.

"As Chairman of ACI's Sustainability Committee since 2011, I worked with other ACI members to develop the Sustainability Charter initiative, being piloted in 2013. ACI will recognize companies taking prescribed actions that include: commitment to ACI's sustainability principles; participation in ACI's industry metrics program covering key environmental parameters; and compliance with ACI's voluntary ingredient communication program. The requirements for participation in the Sustainability Charter program will scale up over time and will provide a concrete method for raising the sustainability profile of the entire industry."

Manufacturing Partners

Nurturing a close relationship with the companies that produce our products is crucial if we are to work together to tackle the environmental and social impacts within our supply chain. But we want to go even further. We would like to ensure that our manufacturing partners embrace the same overall commitment to sustainability that we do. To that end, we conduct detailed audits of our suppliers that cover their sustainability strategies, resource efficiency, materials and waste management, GHG emissions, air pollution, and community engagement.

Audit scores on the sustainability-related questions were flat from 2011–2012. After several years of conducting periodic supplier sustainability audits, we are aware that these assessments are not driving the deep change we would like to see. We are focusing in 2013 on a new audit approach that will be tied more closely to our own 2020 Road Map and will target the key metrics we hope to influence.

We developed relationships with five new manufacturing partners in 2012 while also dramatically increasing our numbers of new products. We now have 18 suppliers at 26 locations; much of our time was necessarily spent ensuring that our quality standards were met.

Sales



Sales

In a year characterized by our introduction of 48 new products and our entry into the personal care category, we achieved a 9 percent sales growth. This was driven by eCommerce, by sales in grocery stores throughout the northeast, and through our sales at Target. A notable new partnership was our expansion late in 2012 of our Walgreen's sales to include Adult Personal Care products. Consumer interest led to significant growth in laundry, dish cleaning and diaper sales while paper products, household cleaners and feminine care were more challenging categories.

Certified B Corporation

Just as we seek sustainability in our products, we also try to practice a better way to do business. We became a founding [B Corporation](#) in 2008 because we believe it is critical that there be a standard for corporate responsibility in the United States.

B Corp businesses are certified to meet rigorous standards of social and environmental performance, accountability, and transparency. We were recertified in 2012 and achieved a high overall score of 116 out of 200, [38 percent higher than the average sustainable business](#).

While we achieved excellence in the governance, workers and environment categories, we lagged in community and have committed to a 2020 Roadmap Goal of improving this score. Despite positive community support through the Seventh Generation Foundation and employee volunteering, we need to do a better job of investing in the communities where we manufacture our products. To get started, we will focus on developing a supplier code of conduct and related protocols. We will also try to increase the percentage of suppliers that are majority-owned by women or ethnic minorities or that create employment opportunities in low-income communities.

Jay Coen Gilbert, B Corp Founder praised our commitment to the B Corp principles in this [blog](#).

Read about our approach to Governance in the GRI Content Index on page 50.



We B Awesome.

Seventh Generation's B Impact Report

	COMPANY	AVERAGE
Governance	12	10
Workers	28	22
Community	12	32
Environment	65	9
Overall B Score	116	80

GRI REPORTING

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Reporting

We value transparency and corporate responsibility. Drafting our annual Corporate Consciousness Report is an important way for us to honor the central role that sustainability plays in our everyday work. This report provides a critical way for us to convey who we are as a company and to provide context for our work. Since 2004, we have followed the Global Reporting Initiative (GRI) guidelines, which establish consistent reporting standards and allow comparability among companies.

This report has been designed specifically for our website with interactive content that will invite readers to view small sections at a time and to comment or ask questions. We hope this platform will promote an exchange of ideas on our sustainability efforts among a variety of audiences. More in-depth information is contained in the GRI Report Index.

Stakeholder Consultation

Our annual reporting process benefited greatly from a stakeholder review convened by Ceres on June 29, 2013. Ceres is a national network of diverse groups dedicated to integrating sustainability into capital markets. We are indebted to them for facilitating stakeholder dialogues to support sustainability reporting. In addition to panel members from Ceres and the consulting community, there were eight business and environmental participants and six interested employees from within Seventh Generation. The feedback was invaluable and we deeply appreciate the review team's willingness to share their time and insights. We have been able to incorporate many of the team's comments, are

deferring some to future years due to budget and time constraints, and will bring other ideas into our own program evaluations as we set our future priorities.

Reviewer Comments

Overall: Reviewers appreciated the report's transparency, engaging tone and the inclusion of stories featuring the voices of several Seventh Generation team members. Reviewers also commented that several sections of the report needed more context to give a better sense of the previous work that laid the groundwork for some of the company's more recent accomplishments.

Interactive links have been added and a Timeline: twenty-five years of firsts on page 10 featuring the evolution of some of the company's product responsibility initiatives has been added to [Vision](#).

Goals: Reviewers liked the company's aspirations but questioned several of the individual goals as being overly broad ("All industry creates..."), too narrow ("free of chronic toxicants") and sometimes unclear.

We changed the wording of some of the goals and continue to work internally to refine these objectives.

Safer Chemicals: Reviewers suggested the use of a third-party standard that would allow the company to show quantitative progress toward its safer chemicals goals.

This is something we have considered before and will revisit.

Radical Transparency: Several reviewers pushed the company to demonstrate leadership by revealing more about its supply chain.

We are working on this.

Employee Benefits: It was noted that employee benefits have changed in the past few years and commenters urged the company to be transparent about this.

Information about employee benefits and recent changes was added to the GRI Content Index.

Greenhouse Gas Emission Reduction Goals: Commenters noted the lack of a corporate GHG reduction goal and a renewable energy goal.

An explanation was added to the report to clarify that Seventh Generation is focusing on increasing the numbers of consumers who wash their laundry in cold water as a way of addressing the company's carbon footprint.

Materiality

Reports aren't valuable if they don't hit the relevant issues. While we did not conduct a quantitative materiality assessment, we have a qualitative process that guides the development of our reporting scope.

Our stakeholders are a diverse group and include our consumers, our retail partners, our manufacturing partners, the earth itself, the members of our own company, and our shareholders. Additional stakeholders include the many organizations that speak to the issues we care about, our industry, members of our local community, and our suppliers — even those who are far back in our supply chain.

We believe the following issues are important to our business: toxins in household products, our supply chain and its impact; employee well-being; reducing greenhouse gas emissions and climate change issues; efforts to decrease our company's environmental footprint; and our commitment to corporate responsibility. Thus we consider our product design and packaging work, our varied environmental initiatives and our work to increase the renewable and recycled content of our ingredients to be material to our company. Our efforts to make Seventh Generation a great place to work and our efforts to create positive change in the larger community are material as well. Finally, as a privately held business that believes strongly in corporate accountability, our economic performance, donations, and governance are also necessary components of this report.

International Reporting Standards

The Global Reporting Initiative (GRI) develops globally applicable [Sustainability Reporting Guidelines](#) for voluntary use by organizations worldwide. As a member of GRI, we support this effort to foster corporate accountability, comparability, and transparency.

In 2006, GRI revised their standards to develop a “C” applicability level that is appropriate for smaller companies, which we followed this year. The information in the GRI Content Index indicates how we have met the required Profile Disclosure elements and topic-related performance indicators for the C level.

GRI Content Index

Profile Disclosures

STANDARD DISCLOSURES

1.1

[CEO Letter](#)

ORGANIZATIONAL PROFILE

2.1 and 2.4

Organization name and location of headquarters
Seventh Generation, 60 Lake Street, Burlington, VT 05401

2.2 Brands, products, services

Our Company on page 10, in Our Vision

2.3 Operational structure

Our Company on page 10, in Our Vision

2.5 Countries where company operates

Our Company on page 10, in Our Vision

2.6 Ownership and legal form

Our Company on page 10, in Our Vision

2.7 Markets served

Our Company on page 10, in Our Vision

2.8 Scale of reporting organization:

Number of employees: Building a Great Workplace on page 33, in Building Communities

Net sales, total capitalization, quantity of products provided:

We are a privately held corporation and choose not to reveal this financial and strategic data.

2.9 Significant changes

We initiated relationships with five new manufacturing partners.

2.10 Awards received

Awards on page 11, in Our Vision

REPORT PROFILE, SCOPE, BOUNDARY, AND GLOBAL REPORTING INITIATIVE INDEX

3.1 Reporting Period

Calendar year 2012, with occasional mention of relevant achievements in early 2013.

3.2 Date of previous report

Gen2 was published in 2012 on our website and covers the year 2011.

3.3 Reporting cycle

Annual. This report covers 2012.

3.4 Contact point for questions

Ashley Orgain, Mission Advocacy and Outreach Manager,
60 Lake Street, Burlington, VT 05401 tel: 802.540.3484
email: Ashley@seventhgeneration.com

3.5 Process for defining report content;

3.6 Report boundary;

3.7 Report boundary limitations

In determining report content, we were guided by our own corporate priorities, achievements, goals, and shortcomings; by considerations of stakeholder interest; and by GRI guidelines. We hope the report will be read by our employees; our manufacturing and retail partners and other businesses; our customers and members of the Seventh Generation Nation (our on-line community); and anyone else interested in issues pertaining to consumer products and corporate responsibility.

This is not just a report about our Burlington office operations. We have also been conscious of the sustainability practices back in our supply chain as well as the impact and use of our products. Where we have not addressed particular GRI guidelines, it has generally been because they were not relevant to our business, they dealt with proprietary information (such as some of the financial parameters), or they involved a larger data-gathering effort than we are capable of at this time.

3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities.

We lease our Burlington office and we use third party logistics providers and contract manufacturing partners.

As noted in Manufacturing, in Transforming Commerce, we engaged in five new supplier partnerships in 2012.

3.10 Explanation of restatements of earlier information

As this report is online, we have links to information from previous years to facilitate stakeholder understanding of our business.

3.11 Significant changes from previous reporting periods

See *Nurturing Nature* for a discussion of our newest product lines.

3.12 GRI table

GOVERNANCE, COMMITMENTS, ENGAGEMENT

4.1, 4.3, 4.4

Governance structure, Independent members, employee input to board

Seventh Generation is a privately held corporation, governed by a board of elected directors, all of whom share a strong commitment to the health and well-being of our planet and the people on it. The board supports our [B Corp principles](#) and aspiration to be a profitable, independent, and well-managed business that stays true to our founding mission. Our directors bring a broad range of experience in entrepreneurship, sustainability, finance, building businesses, consumer packaged goods, and leadership of innovative growth companies. Board members serve as representatives of our entire shareholder base and are elected annually based on a few core values:

- Deeply held belief in the company's mission, vision and values;
- Demonstrated commitment to the development of the company and the people within it;
- Broad and complementary experience relevant to our business; and
- A willingness to accept fiduciary, sustainability, and strategic responsibilities.

Board Responsibilities

Our board ensures that Seventh Generation is managed professionally and operates in a manner that is consistent with our B Corp charter serving all stakeholders. The board's responsibilities include:

- Hiring the CEO and top management;
- Providing adequate equity capital for growth;
- Exercising control over the company's assets and ensuring that they are used effectively in a manner consistent with the company's values;
- Furthering the Mission and providing strategic advice that supports the long-term vision;
- Representing the larger shareholder base; and

- Meeting quarterly with the executive leadership team and the company and communicating regularly with shareholders

The board invites management from all levels of the organization to participate and meet with them and tries to stay visible and engaged with the Seventh Generation community. We have three standing committees:

- Compensation Committee
- Audit and Finance Committee
- Nominating and Governance Committee

Board Membership and Decisions

At the close of 2012, our board of directors included eight elected directors, two females and six males, including our CEO John Replogle. Of the eight directors, six are independent.

In 2012, the Board reviewed the company strategy, led a deep dive into our sustainability principles and mapped a course to a more robust financial footing. The Board also reviewed the audit and company valuation to ensure that appropriate financial controls and metrics safeguarding shareholder value were in place. A new compensation plan that supported our triple bottom line focus in which employee performance was rewarded based on growth, profits and our sustainability goals was established. Finally, the Board continued to review its own performance by undertaking a self-evaluation as well as seeking feedback from the Executive Leadership Team and engaging in small group meetings with employees from across the business.

4.2 Governance chair

Peter Graham is the Chairman of the Board.

4.14 and 4.15 Stakeholders

See Reporting

ECONOMIC PERFORMANCE INDICATORS

EC1 Direct economic value

Data on direct economic value, revenue, operating costs, retained earnings, and payments to capital providers and governments are proprietary information.

EC3 Coverage of the organization's defined benefit plan obligations

Seventh Generation firmly believes in creating wealth and financial prosperity throughout all levels of the organization. All full-time employees receive a variety of benefits including company supported, paid medical premiums, an employee stock incentive

Greenhouse Gas Accounting

Category	2010	2011	2012
Facility Energy Use	136	149	167
Employee Commuting	181	270	275
Business Travel	366	412	407
Product Transport	10,761	10,885	11,113
Product and Packaging	54,512	51,219	47,431
Total	65,957	62,935	59,394

plan, and participation in other value-building benefits, such as a 401(k). Seventh Generation contributes up to a five percent match on employee contributions into a 401(k) plan. Eligibility is 1st day of the month after their hire date. 99 percent of employees contribute voluntarily to this plan. Also see Section LA3.

EC4 Significant financial assistance received from government
None was received.

EC5 Ratio of standard entry-level wage compared to local minimum wage

The purpose of our company's compensation plan is to share our financial success and celebrate our employee owners for their contributions to the growth and success of the company. In addition to the benefits noted in EC3, the company currently pays a minimum starting base rate of \$16.15/hour, which is much higher than the current Vermont minimum wage of \$8.60/hour and is substantially higher than the federal minimum wage rate of \$7.25/hour. Burlington, VT has a living wage ordinance. The livable wage for FY 2013 is \$13.94/hour with health insurance and \$17.71/hour without health insurance. All full-time employees are also eligible to participate in the company's cash and equity incentive plans as well as the company's benefits plans including health insurance.

ENVIRONMENTAL PERFORMANCE INDICATORS

EN1 Materials used by weight or volume
See [Materials on page 24](#) in Nurturing Nature

EN2 Percentage of materials used that are recycled input materials
See [Materials on page 24](#) in Nurturing Nature

EN16 Total direct and indirect GHG emissions by weight
See [Greenhouse Gas Accounting on page 25](#) in Nurturing Nature.
[Greenhouse Gas Accounting Methodology.](#)

As we do not control the production of our goods, we use component-specific GHG emissions factors from industry sources and published reports to account for more than 85 percent (by weight) of the carbon intensity of our materials, ingredients and packaging. These sources provide a gross estimate of GHG emissions. Where data are missing, we estimate using information for similar materials. Periodic life cycle assessment studies of key products enhance our understanding of the energy intensity of some of our product lines. While estimating

is not ideal, our year-to-year comparisons are fairly accurate. We use the widely accepted GHG protocol developed by the World Resources Institute and the World Business Council for Sustainable Development to guide our GHG tracking.

EN 18 (from the Additional Standards category) Initiatives to reduce GHG emissions and reductions achieved
See [Nurturing Nature](#)

EN26 Initiatives to mitigate environmental impacts
See [Nurturing Nature](#)

EN27 Percentage of products sold and their packaging materials that are reclaimed by Category
See [Materials on page 24](#), and [Packaging](#), in [Nurturing Nature](#)

EN28 Fines and Noncompliance
None

LABOR PRACTICES AND DECENT WORK PERFORMANCE INDICATORS

LA1 Total workforce
See [Building a Great Workplace on page 33](#) in [Building Communities](#)

LA2 Total number and rate of employee turnover by age group, gender, and region:

- Overall turnover was 12.5% or 16 people
- Voluntary was 8.6% or 11 people
- Involuntary was 3.9% or 5 people
- Total of 8 females: 5 females <40, 3 females >40
- Total of 8 males: 2 males <40, 6 males >40

LA3 Benefits provided to full-time employees that are not provided to part-time temporary or part-time employees, by major operations:

All employees receive the same benefits; part-time employee time-off benefits are pro-rated based on their scheduled days worked. In 2012, we employed 10 temporary staff.

Seventh Generation was founded on more than a belief in the fundamental need for a safe and healthy environment. We also believe that we all have the right to do fulfilling work in a nurturing workplace. To promote equity, our highest executive salary is currently measured at 15 times our lowest full-time salary. An annual bonus incentive program based on company results, individual contributions and our sustainability goals provides additional financial support for our staff. Stock option

awards and new-hire stock grants make each employee an equity stakeholder in our company regardless of their position. Employees are also eligible for up to \$500 in energy efficiency reimbursement and 100% of the cost of public transportation. Our most progressive benefit, our \$5,000 carbon loan benefit was eliminated at the end of 2012. This loan, which became a grant if the employee remained with the company for five years, supported home energy improvements, renewable energy installations and the purchase of hybrid cars. We also ended the free product benefit for employees in 2012.

To enhance the health and wellness of our coworkers and their families, each employee receives up to \$800 in annual fitness reimbursements, and all enjoy access to comprehensive health insurance that draws no distinctions between married, unmarried, and same-sex life partners.

Helping our staff achieve a positive work-life balance is another key focus of our effort to build a great place to work. To support this, we encourage the use of flex-time and telecommuting technologies.

We also believe in carrying our philosophies out into the world around us and doing all we can to build a healthy and sustainable community in which to live. We discuss our industry-leading employee volunteer program in Volunteering on page 34. We've also gone the extra mile to forge an office environment that is both a fun and rewarding place to spend each weekday. In addition to providing stunning Lake Champlain waterfront views of New England's most spectacular sunsets, our LEED Gold-certified facility ensures a high level of sustainable design and a safe non-toxic environment in which to work. Our long-established Vibe Team, a group of employee volunteers, promotes laughter and smiles by organizing informal workday social events and after-hours gatherings, company parties, and participation in external community events.

LA4 Percentage of employees covered by collective bargaining agreements:
None.

LA10 Average hours of training per year per employee per employee category

In 2012, we shifted our employee training focus from individually directed efforts to more consistent skill

development across the company. We eliminated the employee development training option that had allowed employees to spend \$1,000 for the development opportunities of their choice. Redirecting this money in-house, we expanded the number, volume and breadth of our internal trainings. Through this new approach, we dedicated ourselves to building a powerhouse from within by focusing on team development, functional competency development and personal development. For the first time, we developed regular training forums that all of our managers attend to enable us to develop our internal management leadership skills.

In 2012, each employee engaged in an average of 26 hours of training (managers received an average of 38 hours) focusing on:

- Skill/capability development through classes offered internally or externally
- Education on our products and our business through varied training vehicles including brown bags
- We spent approximately \$135,000 on trainings offered in-house to employees and managers in 2012.

SOCIETY PERFORMANCE INDICATORS

SO5 Public policy positions and lobbying
See Transforming Commerce

SO8 Fines and sanctions for noncompliance with laws and regulations
None.


Product Responsibility Performance Indicators and Marketing

PR9 Fines concerning the provision and use of products and services
None.

Report Assurance

Many of our environmental indicator performance metrics take advantage of the company's Materials, Ingredients and Packaging database, which tracks information on the materials used in our products. We have chosen not to independently assure our report, and have relied instead on our sustainability team and our controller to review and substantiate the report's accuracy and authenticity. We have also benefited from our outside reviewers' comments. Our sustainability consultants [Pure Strategies](#) provided an independent review of our assumptions and conducted our materials and environmental footprint-related calculations.

Global Reporting Initiative Compliance

		2006 In Accordance	C	C ⁺	B	B ⁺	A	A ⁺
Mandatory	Self Declared			Report Externally Assured	Total Materials	Report Externally Assured		Report Externally Assured
	Third Party Checked							
Optional	GRI Checked			Report Externally Assured		Report Externally Assured		Report Externally Assured



 Caring today for seven generations of tomorrows.™

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