

2018 Benefit Report of Berrett-Koehler Publishers, Inc., and The Berrett-Koehler Group, Inc.

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INTRODUCTION

In 2011, Berrett-Koehler Publishers was the second book publisher in the world to become a Certified B Corporation, joining a movement that has since grown to include more than 2,500 Certified B Corporations in 50+ countries. To become a B Corp, Berrett-Koehler scored highly on what was then a 230-question Impact Assessment (which has since grown to more than 300 questions) and follow-up audit, certifying that we met rigorous standards for corporate, social, and environmental performance.

Four years later, in October 2015, Berrett-Koehler was the first book publisher to go beyond B Corp certification to also become a Benefit Corporation. Whereas B Corp certification is a voluntary process, becoming a Benefit Corporation puts the force of law behind Berrett-Koehler's long-standing social mission, values, practices, and objectives.

These are great milestones for Berrett-Koehler. Combining B Corp certification with Benefit Corporation legal status is the new gold standard for socially responsible businesses. Certified B Corps are world leaders in using business as a force for good. And becoming a Benefit Corporation provides legal grounding for key elements of BK's mission, values, goals, stakeholder focus, and innovative practices. Together, they help BK continue being a leader in advancing the social mission dimensions of business and publishing.

A Benefit Corporation is a new class of for-profit corporation—based on laws recently enacted in more than 30 states, including California, and the District of Columbia—that is legally obligated to do four things:

1. Public Benefit. To quote from the new California law that Berrett-Koehler has taken advantage of, Benefit Corporations must provide “general public benefit,” which the law says “means a material positive impact on society and the environment, taken as a whole.” And BK's Articles of Incorporation now include BK's mission and values as “specific public benefits” to which BK is legally committed: “connecting people and ideas to create a world that works for all and helping people promote positive change to advance quality, stewardship, partnership, sustainability, and diversity and inclusion in their lives, organizations, communities, and the world.”

2. Impacts on Stakeholders. BK's founding concept—managing the company “for the benefit of all of our ‘stakeholder’ groups,” including “authors, customers, employees, suppliers and

subcontractors, owners, and the society and environmental communities in which we live and work” (as stated in our very first catalog in 1992)—is now legally supported. Benefit Corporation status makes it the fiduciary duty of the BK Board of Directors (quoting again from the new California law) to “consider the impacts of any action or proposed action upon all of the following”: shareholders, employees, customers, community and social considerations, the local and global environment, “short-term and long-term interests,” and “the ability of the Benefit Corporation to accomplish its general, and any specific, public benefit purpose.”

3. Accountability. Benefit Corporations must assess their overall corporate, social, and environmental performance on a yearly basis using an independent third-party standard. The Impact Assessment that BK passed to be certified as a B Corp—and that it re-takes to be periodically recertified—qualifies as such a third-party standard. BK completes this Assessment every three years (most recently in 2018), which helps us advance BK’s corporate, social, and environmental performance and BK’s adherence to its mission and values.

4. Transparency. Finally, California Benefit Corporations must report their overall social and environmental performance to their shareholders and to the public in an annual benefit report. This is consistent with everything about how Berrett-Koehler wants to be in the world, but making it a legal obligation ensures that it actually happens each year.

ELEMENTS OF BENEFIT REPORT

The following narrative is Berrett-Koehler’s fourth annual Benefit Report in fulfillment of the requirements described above for California Benefit Corporations. It provides a description of the ways in which Berrett-Koehler pursued a general public benefit in 2018, the ways in which Berrett-Koehler pursued the specific public benefits described above, and information about the extent to which the general and specific public benefits were created.

The B Impact Report and the B Impact Assessment provide quantitative summaries of BK’s performance during the most recent year in which we took the B Impact Assessment. While BK is required to issue a Benefit Report annually, the B Impact Assessment is only administered every three years. Please see pages 8-9 for those supporting reports.

BENEFIT REPORT NARRATIVE

General Impact

Berrett-Koehler is an independent publisher dedicated to an ambitious mission: *connecting people and ideas to create a world that works for all*. We believe that the solutions to the world’s problems will come from all of us, working at all levels: in our organizations, in our society, and in our own lives.

Our BK Business books help people make their organizations more humane, democratic, diverse, and effective (we don't think there's any contradiction there). Our BK Currents books offer pathways to creating a more just, equitable, and sustainable society. Our BK Life books help people create positive change in their lives and align their personal practices with their aspirations for a better world. And our BK Professional books help key professional audiences, such as project managers, to be more effective in their work, thus benefiting individuals, organizations, and society.

The company's original vision continues to guide the company, as articulated in the company's first 1992 catalog: "If I were to choose one word to describe our vision, it would be 'stewardship.' By this I mean a deep sense of responsibility to administer the publishing company for the benefit of all of our 'stakeholder' groups—authors, customers, employees, suppliers and subcontractors, owners, and the societal and environmental communities in which we live and work. Each of these groups contributes to the success of our publishing venture, and each has a 'stake' or investment in its success, whether that investment is time, talent, money, or other resources."

Stewardship continues to be at the core of our approach along with our other key values of quality, partnership, inclusion, and sustainability. And we seek to practice what we preach by applying the ideas in our publications into how Berrett-Koehler is operated—which we call "eating our own cooking."

Publishing and Marketing Programs

The principal way that Berrett-Koehler pursued its general and specific public benefits in 2018 was through our book publishing programs. In 2018 Berrett-Koehler published 39 new books and 5 new editions of previously published books, plus several companion products to books. All of our new books and new editions were published simultaneously in multiple formats: print, ebook, and audio. Berrett-Koehler also continued to market and sell its more than 780 previously published books that are still in print. We sold over one million English-language print, e-book, audio, and other copies of these books in 2018.

We also pursued these public benefits by arranging for publication of our books in foreign languages around the world. In 2018, we made 162 foreign translation rights deals in a total of 29 different languages. This brought our total number of foreign translation rights deals in the company's history to over 3,071 in 54 languages. Thousands of foreign-language editions of BK books have been published as a result of deals made in 2018 and previous years. And many millions of copies of these foreign-language editions of BK books have been sold, helping to further spread the ideas in the books around the world.

We also closed 58 other subsidiary rights deals in 2018, including rights to summarize book and multilevel marketing edition rights. These deals further spread the ideas in our books.

The ideas in our books were also shared with tens of millions of additional people through media reviews and publicity about the books that appeared in hundreds of different print, radio, television, and online media. Social media sharing of the ideas in the books reached many additional millions of people. And our authors spoke about their books to hundreds of thousands of people at conferences, seminars, workshops, forums, and other events.

The ideas in our books also reached large additional audiences through the BK website and through our blog and other direct marketing programs that are discussed below.

2018 Initiatives That Are Still Expanding BK's Impact

Online Training Program

In 2018, Berrett-Koehler organized and hosted the Women's Leadership Online Summit. Over a period of 8 days, 31 community organizers, CEOs, influencers, executives, and experts addressed different aspects of women in leadership, offering an unprecedented breadth of perspectives on the subject. The summit was free for all to attend, with multiple presentations broadcast daily along with access to each speaker's free bonus gifts. A paid upgrade package was available for those who wanted lifetime access to the more than 20 hours of video training, which was also available as downloadable audio and PDF transcripts, along with all summit bonus gifts. The event included a Women's Leadership Facebook group where participants gathered to network, share information, and discuss the event. The summit drew 20,287 attendees from 145 countries. It was the largest global convening of the BK community in our 27-year history.

In 2018, Berrett-Koehler also created and broadcast the servant leadership master course Dare to Serve Online Training with Cheryl Bachelder. The training was broadcast over 5 weeks with weekly video lessons, a course learning journal with exercises, and weekly hour-long live video training calls with Cheryl available to answer participant questions on that week's lessons. These live training calls were filmed and later made available in the course portal for lifetime access. All course content—90+ minutes of video lessons, learning journal, and 5 hours of Q&A training with Cheryl—was available in the course portal as downloadable video, audio, and printable PDF transcripts. The event included a private Servant Leaders Facebook group for discussion and updates. There were 138 attendees who paid for the full training and 2,710 people opted into the training's lead nurture, a free 3-video workshop on servant leadership with Cheryl Bachelder.

Our online trainings and summits are part of BK's strategic imperative to transition from a traditional book publisher to a media enterprise. Over the last decade we've expanded our offerings beyond printed books to ebooks, audio books, video training programs, card decks, self-assessments, directories, and now online training events. We plan to continue to apply our

newly honed expertise in online trainings to new projects that connect people and ideas to create a world that works for all.

Audiobooks

The audiobook program that we started in 2015 has grown rapidly in very little time. By the end of 2017, the program was fully streamlined and we successfully published all of our new titles in three simultaneous formats: print, ebook, and audiobook. In 2018 we added more than 40 new audiobooks, and we doubled our 2016 sales, both in number of units sold and in revenue.

We have ramped up BK's audio publishing program in time to take advantage of the rapid growth of audio publishing that is happening not only in the US (where audio sales grew 13% from 2017 to 2018), but all over the world. This is good news for Berrett-Koehler, since we have retained world distribution rights in print, ebook, and audio formats for nearly all of our titles, and many of the content providers with whom we have partnerships are major international players, such as Google Play (which launched in January 2018 in 43 countries), Kobo (the biggest digital content retailer in Canada), and Storytel (the Swedish company that is rapidly dominating the European audiobook market.) In the words of Stephen Lotinga, CEO of the UK's Publishers Association: "Audiobooks are vital in allowing a wider audience of readers to discover and experience storytelling on their own terms. It is this type of digital innovation that is at the heart of supporting nationwide literacy."

Digital Marketing

In 2018 Berrett-Koehler continued making major advances in modernizing our approach to digital marketing to better connect with customers across a variety of mediums. We have invested in our blog, email marketing, social media, and website to develop a more cohesive approach to digital marketing. Our aim is to connect with customers across a variety of mediums, expanding the distribution of free and paid content, and deepening our relationship with customers and readers.

Partnerships

The reach and impact of the BK mission were deepened and expanded in 2018 through the Berrett-Koehler Foundation, which receives a share of its financial support from Berrett-Koehler Publishers and most of the rest of its financial support from contributions of individual BK authors, employees, service providers, and other friends of Berrett-Koehler Publishers. The Foundation shares BK community resources—such as ideas from BK books and coaching from BK community members and authors—to co-create a world that works for all. By connecting people across differences, the Foundation helps the next generations of leaders and change-makers to learn and put into practice systems-transforming ideas that foster positive

change in people's lives, organizations, and communities. It does so through several programs, including Action-Learning Fellowships, Leadership Exchanges, and Experiential Exchanges.

The Berrett-Koehler Authors Inc., which is a longstanding partner of Berrett-Koehler Publishers, brought together many authors and other BK community members in 2018 in its annual retreat and its annual marketing workshop. These events helped authors and their marketing teams increase their ability to take the messages of their publications out into the world, thereby increasing the impact of those messages. The Co-op, as it is commonly called, also supported new BK authors by connecting them with more experienced authors as mentors.

Employee Benefits

Berrett-Koehler is committed to supporting, engaging, and developing our employees through many means, including our open sharing of information, participative decision-making model, comprehensive employee benefits, and Employee Stock Ownership Plan. These have positively contributed to employee engagement and success within the organization. Berrett-Koehler has a transparent compensation structure and practices open-book management to give employees full access to our salary schedule as well as to complete company financial information.

Diversity and Inclusion

For some years Berrett-Koehler has been making a concerted effort to increase the number of female authors and authors of color among the BK author base. And these efforts in 2018 and prior years are bearing fruit. Of our scheduled 2019 publications, 40 percent are written by female authors and 30 percent are written by authors of color, which are both well above the averages in the areas in which we publish, including business book publishing. Forty-five percent of our audiobooks are narrated by women.

We made substantial strides in 2018 in working toward greater ethnic diversity among BK staff members, in part through creating a paid internship program a few years ago that is helping us find and prepare outstanding candidates for open staff positions, in part through expanding our searches for job candidates, and in part through emphasizing other qualifications and experience besides publishing experience (since less than 10 percent of publishing staff in the US come from ethnic minorities according to *Publishers Weekly* surveys, thus requiring us to look outside of publishing in order to achieve greater staff diversity). Thirty-two percent of BK staff are people of color, which is exceptional in the book publishing industry.

Community Benefits

Berrett-Koehler as a company believes in the power of volunteerism and strives to make space for all of our employees to give back to the community. To that end, we have a volunteer program that encourages employees to volunteer up to four hours of paid time per month, as well as one annual company-wide volunteer event.

In 2018, our company-wide volunteer event supported the Alameda County Food Bank. We also hosted the Black Youth Leadership Project, an African-American youth group in partnership with the City of Oakland.

In 2018, our Leadership Now ebook bundle (with Humble Bundle) facilitated a \$39,468 donation to charity from customers who chose to direct a portion of their payments for our content to a good cause of their election. Most of this donation went to the nonprofit First Book, which works to provide equal access to quality education for children in need.

Berrett-Koehler also has a book-donation policy that allows employees to donate copies of select books to community organizations of their choice.

Environment Benefits

BK continued to make environmentally sustainable paper purchasing a priority in 2018. The company favored vendors who could certify that paper was FSC certified, and aimed to use paper that contained 30% post-consumer recycled waste. This goal was achieved with only a small number of exceptions. In an industry where environmentally compromised and uncertified paper and printing is generally sourced from Asian markets and shipped by container, BK worked hard to secure a more local supply chain with a lower carbon footprint and domestic employees. These policies resulted in the company paying a premium over printing in Asia, but also resulted in our having a far more responsible and accountable supply chain.

BK continued to show environmental stewardship in other policies, such as its choice of a LEED-certified office, office recycling and composting programs, and our work-at-home program to reduce employee commutes.

Relationship Impact

Berrett-Koehler employs the assistance of many people outside of our staff and we use our close relationships with our author community to expand our reach. One of the key distinctions that sets Berrett-Koehler apart from other publishers is the way in which we partner with our authors. Our authors are given the power to provide input during all phases of the book production process and they have the option to end their contractual agreement with Berrett-Koehler at any time. One of the most important aspects of the publishing process at Berrett-Koehler is the Author Day. This is a day that is entirely devoted to discussing all aspects of the publication process, including marketing, editorial, design, production, and publicity. All authors meet face-to-face with BK staff who will be working with them on their book.

Constraints on Impact

The biggest constraints on Berrett-Koehler’s impact are the relatively small size of our staff (37 people) and modest size of the company (\$10 to \$11 million in annual revenues). Book publishing is an extraordinarily complex business, and simply keeping all the book-publishing processes functioning properly requires the full attention of our staff. Therefore, in order to achieve public benefits, we have to design the public benefits into the very nature of our products and business processes.

B IMPACT REPORT AND ASSESSMENT

Berrett-Koehler Publishers selected the B Impact Assessment (BIA) as the third-party standard to prepare our benefit report because it is the most widely-used impact measurement and management tool in the world. It has been used by more than 30,000 businesses to measure, compare, and improve their overall social and environmental performance, as well as by an increasing number of investors, business associations, and government entities serious about understanding and benchmarking the impact of the companies in which they invest and with which they do business. The BIA is governed by the nonprofit B Lab and meets the statutory requirement that a third party standard must be comprehensive, credible, transparent, and independent. More information about the BIA and B Lab is available at bimpactassessment.net.

Berrett-Koehler most recently qualified as a certified B Corporation in 2018, with a score of 95.3, just slightly lower than our previous score of 96 and well above the score of 80 necessary to receive B Corp recertification, which happens every 3 years. The median score for the thousands of companies taking the assessment is 55—and note that this universe of companies is already preselected to emphasize companies that are seeking to practice corporate, social, and environmental responsibility. (And the assessment score of companies in general—that are not preselecting themselves to assess their corporate, social, and environmental performance—would undoubtedly be much below 55.)

This is a worthy accomplishment, as B Lab, the sponsoring nonprofit, continually tightens its standards and criteria as a way to spur improvement. Not showing up in the summary report is BK’s successful accomplishment of the “Inclusive Economy Challenge,” by meeting three criteria for living wage creation, board diversity with respect to gender and stakeholder representation, and equitable pay for interns. Participation and registration in the challenge was voluntary. As the B Impact Assessment thoroughly measures company practices in four key areas (workers, environment, governance, community), it is an excellent overall snapshot of BK’s social responsibility.

BK’s 2018 B Impact Report can be found here:
<https://berrettkoehler.sharefile.com/d-s559e81036a64abe9>

BK's 2018 B Impact Assessment provides answers to each of more than 300 questions measuring Berrett-Koehler's impact on workers, community, customers, and the environment. This is our actual Impact Assessment that underlies our B Impact Report, and making this report public is a level of transparency much beyond what is required or standard practice. This Assessment can be found here: <https://berrettkoehler.sharefile.com/d-sc4b404f0d6f401bb>

BOARD OF DIRECTORS STATEMENT

Since its formation in 1992, Berrett-Koehler Publishers has operated under a stakeholder model, going beyond the traditional profitability measures of success to include consideration of the impact its business activity has on all its stakeholder groups. It has solicited involvement from those stakeholder groups in its decision-making model and daily operations at all levels of its extended community, from the readers of its publications to the composition of its Board of Directors. In 2011, The Berrett-Koehler Group, Inc., adopted the B Corp standards as an appropriate tool to measure its overall social and environmental performance. In 2017, Berrett-Koehler again achieved an overall rating significantly above the minimum standards and was certified as a Certified B Corp for the sixth consecutive year.

The Berrett-Koehler Board of Directors carefully reviewed the detailed 2018 B Corp Impact Assessment and Impact Report, and it is the opinion of the Board of Directors that the corporation met its obligation to actively pursue its general, and specific public benefit purposes as required under California Corporations Code Section 1462.

This is the fourth year BK has issued an Annual Benefit Report. Over the coming year, we will continue to hone our assessment of material impact the corporation has on society and the environment, with the goal of issuing comparative reports on the corporation's performance.