

2015 Benefit Report of Berrett-Koehler Publishers, Inc., and The Berrett-Koehler Group, Inc.

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 1,800 Certified B Corporations in 50 countries. To become a B Corp, Berrett-Koehler scored highly on a 230-question Impact Assessment and follow-up audit, certifying that we meet 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 longstanding 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 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 has already done to be certified as a B Corp qualifies as such a third-party standard. However, BK will now need to do this Assessment annually (rather than biannually), which will help BK advance its corporate, social, and environmental performance and its 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 will ensure that it actually happens each year.

ELEMENTS OF BENEFIT REPORT

This report is Berrett-Koehler's first annual Benefit Report in fulfillment of the requirements described above for California Benefit Corporations. In this report, you will find the following:

- 1. Benefit Report Narrative: a description of the ways in which Berrett-Koehler pursued a general public benefit in 2015, 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;
- 2. 2016 Impact Summary and Improvement Plan (see Exhibit 1.0 below);
- 3. 2015 B Impact Report (see Exhibit 2.0 below): a quantitative summary of Berrett-Koehler's overall social and environmental performance assessed against the third party standard B Impact Assessment (BIA) in relation to each key stakeholder group and as compared to certain benchmarks
- 4. 2015 B Impact Assessment (click <u>here</u>): answers to each BIA question assessing Berrett-Koehler's positive impact on its workers, community, customers, and the environment.

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.

All of our books are designed to bring people seeking positive change together around the ideas that empower them to see and shape the world in a new way. And we strive to practice what we preach. At the core of our approach is *stewardship*, a deep sense of responsibility to administer the company for the benefit of all of our stakeholder groups, including authors, customers, employees, investors, service providers, and the communities and environment around us. Everything we do is built around this and our other key values of quality, partnership, inclusion, and sustainability.

Publishing and Marketing Programs

The principal way that Berrett-Koehler pursued its general and specific public benefits in 2015 was through its book publishing programs. In 2015 Berrett-Koehler published 39 new books and 6 new editions of previously published books. Berrett-Koehler also continued to market and sell its more than 500 previously published books that are still in print. We sold approximately one million English-language print, e-book, audio, and other copies of these books in 2015.

We also pursued these public benefits by arranging for publication of our books in foreign languages around the world. In 2015, we made 135 foreign translation rights deals in a total of 27 different languages. This brought our total number of foreign translation rights deals in the company's history to more than 2,400 in over 50 languages. Nearly 100 foreign-language editions of BK books were published in 2015 as a result of deals made in 2015 and previous years. Hundreds of thousands of copies of these foreign-language editions of BK books were sold in 2015, helping to spread the ideas in the books around the world.

We also closed 40 other subsidiary rights deals in 2015, including rights to summarize books, audio rights, English-language reprint rights, and multilevel marketing edition rights. These deals further spread the ideas in our books.

A big expansion of our publishing programs in 2015 was our beginning to publish BK's own audio editions of nearly all new BK books. We published 39 such audio editions in 2015. Previously, when we were relying on rights sales for audio editions, only a fraction of our books were being published in audio format.

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 (which was recently substantially upgraded in content and presentation), through the BK Communique, and through other direct marketing programs.

In 2015 Berrett-Koehler also continued expanding our digital distribution partnerships around the world by adding eight new digital partners: Bookmart (library), Humble Bundle (bundles), Enthrill (retail), Shaw Books (education), Odilo (library), AudioBooks.com (audio), BorrowBox/Bolinda (library), and Apollo (education).

Finally, Berrett-Koehler's "Open Book Editions" self-publishing program continued to expand with the publication of 15 OBE titles in 2015. These books support the BK mission but one or

more factors made self-publishing a better option than publication within Berrett-Koehler's main publishing program.

New Initiatives

BKpedia, which is Berrett-Koehler's new digital subscription service, was launched in 2015 with its first two anchor digital collections: *Organizational Change and Innovation* and *Advances in Leadership and Management*. And the first two major digital partners, AMACOM Books and the Center for Creative Leadership, joined in placing many of their publications in these collections, along with Berrett-Koehler's publications. For full information about this initiative, please see the BK website.

The BK Expert Directory—which is a collection of experts who specialize in individual, organizational, and societal change—continued to be developed in 2015, in preparation for its general roll-out in 2016. This directory provides extensive information about experts who are endorsed either by BK authors or by BK staff. For full information about this initiative, please see the BK website.

Partnerships

The reach and impact of the BK mission were expanded and deepened 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 authors, employees, service providers, and other friends of Berrett-Koehler Publishers. During 2015 the Berrett-Koehler Foundation held six BK Leadership Exchanges around the U.S. that brought together hundreds of young, emerging, and experienced leaders to learn from each other new, more collaborative leadership approaches and skills. Many other young, emerging, and experienced leaders benefitted from other Foundation programs, including its Experiential Exchanges.

Berrett-Koehler Authors, Inc., which is a longstanding partner of Berrett-Koehler Publishers, brought together many authors and other BK community members in 2015 in its annual Retreat and its annual Marketing Workshop. These events helped authors and their marketing teams to increase their abilities to take the messages of their publications out into the world, thereby increasing the impact of those messages.

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 complete company financial information.

In 2015 we took a major step forward in addressing one of the major deficiencies in our compensation structure: unpaid internships (which are very common in publishing companies). We developed a company-wide paid internship program that took effect in January 2016.

Community Benefits

Berrett-Koehler has a Book Donation policy that allows employees to identify which community organizations receive select titles, in addition to partnerships with local school districts. Berrett-Koehler has a Volunteer Program that encourages employees to volunteer up to four hours (company paid time) per month as well as one annual volunteer event companywide. One of the ways in which Berrett-Koehler has demonstrated a commitment to community engagement is through our Diversity and Inclusion (D&) initiative. As an organization, we have identified several areas of focus when looking at diversity and inclusion at Berrett Koehler and they are listed below:

- ➤ Authors from underrepresented groups (under 40, people of color, women, international)
- ➤ Internal (staff)
- Customers (including vendors)

To further expand our reach, we established a Diversity and Inclusion Committee & Research Program. The main focus of this group is to explore ways to improve many dimensions of diversity and inclusion at Berrett-Koehler Publishers. Staff members are introduced to various D&I topics and discussions through monthly staff meetings and sub-committee groups. Aside from our D&I work, we have strong ties to various community organizations including the Alameda County Food Bank and the Youth Employment Partnership.

Environment Benefits

Berrett-Koehler is deeply committed to our environmental impact and partners with other organizations to minimize our carbon footprint. Prior to entering partnerships with new vendors, we inquire about their carbon footprint and exercise good judgment during our production and design process. We are headquartered in Downtown Oakland and our building has been awarded the Leadership in Energy and Environmental Design for Existing Buildings: Operations and Maintenance (LEED®-EB O+M) Silver Certification by the United States Green Building Council (USGBC).

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, production, and publicity. All authors meet face-to-face with everyone who will be working with them on their book.

Constraints on Impact

The biggest constraints on Berrett-Koehler's impact are the relative small size of our staff (under 30 people) and modest size of the company (approximately \$9 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.

2016 IMPACT IMPROVEMENT PLAN

After reviewing our 2015 Impact Assessment during the re-certification process we realized that our score was great, but there is opportunity to improve. We created a 2016 Impact Improvement Plan to help strengthen our impact and to further engrain B Corp standards into our operational make-up. One key area of focus (Environment, Workers, Community, Customers and Governance) will be discussed at each of Berrett-Koehler's monthly staff meetings for the duration of the 2016 fiscal year. This is another example of Berrett-Koehler's transparency and commitment to creating a world that works for all.

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 2015, Berrett-Koehler again achieved an overall rating significantly above the minimum standards and was certified a third time as a Certified B Corp.

The Berrett-Koehler Board of Directors carefully reviewed the detailed 2015 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. The board also reviewed management's B Corp Improvement Plan for 2016, and found the targets to be reasonable stretch goals for improvement.

This is the first 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.



Exhibit 1.0

Berrett-Koehler Publishers 2016 B Impact Summary and Improvement Plan

About B Corporations

Certified B Corporations are leaders of a global movement of people using business as a force for good. They meet the highest standards of overall social and environmental performance, transparency and accountability and aspire to use the power of business to solve social and environmental problems. There are more than 1,812 Certified B Corporations in over 130 industries and 50 countries with 1 unifying goal – to redefine success in business.

B Corp Principles

- 1. Building a global community of Certified B Corporations who meet the highest standards of verified, overall social and environmental performance, public transparency, and legal accountability.
- 2. Promoting Mission Alignment using innovative corporate structures like the benefit corporation to align the interests of business with those of society and to help high impact businesses be built to last;
- 3. Helping tens of thousands of businesses, investors, and institutions Measure What Matters, by using the B Impact Assessment and B Analytics to manage their impact -- and the impact of the businesses with whom they work -- with as much rigor as their profits;
- 4. Inspiring millions to join the movement through compelling story telling by B the Change Media.
- 5. B Corps™ are important because they inspire all businesses to compete to be the Best for the World_®.
- 6. The performance standards B Corps™ meet are comprehensive, transparent and verified. They measure a company's impact on all its stakeholders (e.g. workers, suppliers, community, customers and the environment).
- 7. Unlike traditional corporations, Certified B Corporations are required to consider the impact of their decisions on all their stakeholders

B Corporation FAQs

Q: Why do B Corps matter?

A: Certified B Corporations are leading a global movement to redefine success in business. By voluntarily meeting higher standards of transparency, accountability, and performance, Certified B Corps are distinguishing themselves in a cluttered marketplace by offering a positive vision of a better way to do business.

Q: How does a company become certified?

A: B Corps are certified by the nonprofit B Lab. To become certified, a company must:

- 1. Meet the Performance Requirement: Complete the B Impact Assessment and earn a reviewed minimum score of 80 out of 200 points.
- 2. Meet the Legal Requirement: Adopt the B Corporation Legal Framework to bake the mission of the company into its legal DNA. This allows the company's values to thrive under new management, new investors, and new ownership.
- 3. Make it Official: Sign a Term sheet and Declaration of Interdependence to make the certification official.

Q: Why do companies certify? A: B Corps want to be a part of something bigger than themselves, but for many, becoming a B Corp also has to make business sense. B Corp certification helps companies differentiate from pretenders, generate press, benchmark performance, save money and access services, attract investors, partner with peers, and attract and engage talent.

	Berrett-Koehler Publishers 2016 B In	npact Report Summary	
	Company Score	Median Score	
Overall B Score	96	55	
Environment	the Environment section of the Assessment evaluates a company's environmental performance arough its facilities; materials, resource, and energy use; and emissions. Where applicable, it also considers a company's transportation/distribution channels and environmental impact of its apply chain. This section also measures whether a company's products or services are designed to obve an environmental issue, including products that aid in the provision of renewable energy, conserve resources, reduce waste, promote land/wildlife conservation, prevent toxic/hazardous abstance or pollution, or educate, measure, or consult to solve environmental problems. Company Score: 13 Median Score: 7		
Workers	The Worker section of the survey assesses the company's relationship with its workforce. This section measures how the company treats its workers through compensation, benefits, training, and ownership opportunities provided to workers. It also focuses on the overall work environment within the company through management/worker communication, job flexibility and corporate culture, and worker health and safety practices. Company Score: 25 Median Score: 18		
Customers	this section will measure whether a company's prenvironmental issue (e.g. improves health, presento individuals or communities, promotes the arts, purpose-driven enterprises).	oroducts or services that promote public benefit, ods serving underserved populations. Questions in roduct or service is designed to solve a social or oves environment or creates economic opportunity	
Community	The Community section of the survey assesses a community section evaluates a company's suppli local community. The section also measures the community service and charitable giving. In addit or service is designed to solve a social issue, inclu economic opportunity, arts, and increasing the flo	er relations, diversity, and involvement in the ompany's practices and policies around ion, this section includes if a company's product ding access to basic services, health, education,	
Governance	The Governance section of the Assessment evaluates a company's accountability and transparency. The section focuses on the company's mission, stakeholder engagement, and overall transparency of the company's practices and policies.		
	Company Score: 1	17 Median Score: 16	

Impact Impr	ovement Plan
I. Community	ovement i un
	ice Program (CSP)
Benefits of CSP	CSP Models
Building teamwork among employees • Enabling staff to develop occupational skills • Increasing employee commitment and goodwill towards your company • Exemplifying company values of leadership and service • Creating a vehicle for building new business relationships • Generating positive PR for your company	Individual Volunteer Matching, Matching Time Leave, Corporate Volunteer Programs, Single or Annual Projects, Employee-Directed Projects, Ongoing Partnerships with Specific Nonprofits, Participation in Non-Profit Boards
Opportunity Identification	 ✓ Which types of community service are we most interested in? ✓ What needs can our pool of human, physical, and financial resources best address?
Charitable (Contributions
Contribution Type(s)	Book donations to organizations where a member of the BK Community has identified a need.
Possible Target Recipients	 ✓ Churches and other religious organizations ✓ Tax exempt educational organizations ✓ Tax exempt hospitals and research organizations
Local Purchasing Policy	Why Buy Local? A Local Purchasing Policy is a documented commitment to give preference to locally produced goods and services, purchased from a local and independent business, over those produced more distantly. ✓ Support community groups ✓ Reduce environmental impact & create jobs ✓ Get better service, invest in community ✓ Encourage local prosperity, diversity and inclusion
Supplier Code of Conduct	Supplier codes of conduct are created to ensure that a company's suppliers enforce safe working conditions, that their workers are treated with respect and dignity, and that their manufacturing processes are environmentally responsible. Key Components: Labor Standards and Practice, Environmental Policy, Documentation and Review Policy
Infusion Date: This key area of focus will be introduced at t	he October 26th staff meeting.
II. Environment	
Au	dits
Environmental Audit	An environmental audit is a tool that a company can use to identify the full extent of its environmental impacts, determine whether or not the company is in compliance with applicable laws, regulations, and the expectations of its stakeholders, and gain an understanding on how it can sustain or improve its environmental performance going forward.
Supplier Carbon Footprint Audit	A carbon footprint evaluation measures the carbon dioxide produced by burning fossil fuels for electricity, heating, transportation, and the production of consumer goods, among other activities, for a particular residence, business,

	or other unit of analysis (such as a city). Carbon dioxide is a
	greenhouse gas. There are two levels of carbon footprint analysis, the primary footprint and the secondary footprint. The primary footprint measures the direct emissions of carbon dioxide (CO ₂) from the burning of fossil fuels (coal, oil, natural gas) for domestic energy consumption and transportation. The secondary footprint measures indirect emissions of CO ₂ from the product lifecycle.
Environ	nmental Programs
Office Recycling Program	K-Cup Recycling, E-Waste collection and pickup monthly through a partnership with Give Something Back Office Supplies and ReliaTech (e-waste);
Corporate Travel Policy	Carbon footprint reduction (low mileage option)
Infusion Date: This key area of focus will be introduced at	the April 28th staff meeting.
III. Workers	
Employee Engagement Assessment and Metrics	If you have over 30 employees, it is good idea to conduct regular, anonymous surveys of your employees, to assure that they are satisfied with their work and the workplace and, more importantly, feel engaged in the enterprise's success. An engaged employee is a person who is fully involved in, and enthusiastic about, his or her work.
360 Degree Feedback Model	Direct feedback from an employee's subordinates, peers (colleagues), and supervisor(s)
Performance Evaluation and Development Plan	Each employee will participate in a self-assessment with feedback from direct supervisor annually (11/1 thru 12/1).
Health and Wellness Program	In-office Yoga, Flu Shots, Committee Formation, Injury and Illness Prevention Policy
Infusion Date: This key area of focus will be introduced at	the June 23rd staff meeting.
IV. Customers	
Quality Assurance	Create consistent mode of feedback to and from key suppliers and vendors.
Communication	Social Media Broadcast, B Hive activity (staff involvement), Special Offers
Infusion Date: This key area of focus will be introduced at	the August 25th staff meeting.
V. Governance	
Whistle Blowing Policy	Whistle blowing entails revealing wrongdoing or improper conduct within an organization to those in authority or to the public. The Occupational Safety and Health Act (OSH Act) under the Department of Labor protect employees against retaliation for protesting or complaining to their employers, the occupational safety and health administration (OSHA), or other government agencies about unsafe or unhealthful conditions.
Public Facing Annual Report	Provide public with access to annual financials (via www.bkconnection.com)
Infusion Date: This key area of focus will be introduced at	the December 15th staff meeting.
VI. 2016 Impact Assessment Measurement	
At the end of December 2016, Berrett-Koehler to initiate from	ee B Corp Impact Assessment to chart progress and results.

Exhibit 2.0

B Corporation	Company Score	Media:
Overall B Score	96	
Environment	13	7
Environmental Products & Services (e.g. Renewable energy, recycling)	N/A	N/A
Environmental Practices	12	6
Land, Office, Plant	7	3
Energy, Water, Materials	4	1
Emissions, Water, Waste	2	1
Suppliers & Transportation	0	N/A
Workers	25	18
Compensation, Benefits & Training	16	12
Worker Ownership	5	1
Work Environment	4	3
Customers	20	N/A
Customer Products & Services	20	N/A
Products & Services	20	N/A
Serving Those in Need	N/A	N/A
Community	21	17
Community Practices	0	15
Suppliers & Distributors	5	2
Local	6	5
Diversity	2	2
Job Creation	3	2
Civic Engagement & Giving	5	3
Governance	17	6
Accountability	14	3
Transparency	3	3
Overall	96	55