BENEFIT CORPORATION
INAUGURAL ANNUAL REPORT
2015

Celebrating 20 years of 100% Natural & Certified Organic Body Care

Made from fresh, whole botanicals brimming with life force...
Benefit Officer Statement

Welcome to our inaugural annual report! 2015 has been a big year for us. We started the year by helping to successfully pass Benefit Corp legislation in the state of NH and shortly thereafter, we incorporated as one of the very first Benefit Corporations in our state. We also re-certified as a B Corp, and in doing so raised our impact score from 122 to 138. And though we scored in the top 10% of all B Corps for Environment, after reviewing our impact assessment, we saw that there was a lot of room for growth. In particular, we did not have an Environmental Management System (EMS) to track and improve our environmental impact. So we invited a group of Environmental Studies graduate students from Antioch University New England to work with us to create the framework for an EMS. The system they created is now the basis for future environmental monitoring and goal setting at Badger. On the employee benefits front, starting salaries at Badger were raised to $13.80 per hour for all employees, matching the region's living salary for regular employees who earn benefits. We continue to strive to raise our starting wages and improve the quality of life for our employees. Our participation in the B Lab Supply Chain initiative resulted in our hosting a two-day partner appreciation and engagement conference at Badger that over twenty of our core suppliers attended. We also created our first ever sustainability committee made up of employees from all departments. In 2016, we'll focus on strengthening our sustainable sourcing practices and setting a baseline for our environmental impact in order to establish meaningful goals for continued improvement. We are excited to continue on this path towards improving our business practices and deepening our mission through all that we do.

Sincerely,

Rebecca Hamilton, Benefit Officer

Family Statement

We believe that a healthy business is like a well-tended garden. Our business, which began as a seed, has been nourished over the years with good intentions. To us, money is a fuel not a goal, just as sunlight is the fuel that allows a garden to grow and flourish but is not the purpose of the garden. As we grow, we seek to build our good intentions into the DNA of our business so that each person we touch, from our suppliers to our extended Badger community, experiences something good and beautiful. And just as a garden is rooted to the earth, our business is connected to the natural world around us. This connection informs our product development and inspires us to create powerfully pure organic body care made from fresh, whole botanicals.

-The Badger Family
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MISSION & PRINCIPLES

Badger is a mission-based business with a set of operating principles that help guide us in all we do.

Our Mission:
To create fabulously pure and effective products of the highest natural quality, based on simplicity and thoughtful preparation, with the intention to protect, soothe and heal.
To run a business that is fun, fair and profitable; where money is fuel, not a goal; and where our vision for a healthier world finds expression through the way we work and through the way we treat each other and the people we serve.

Our Principles:
• Individual responsibility in a team concept
• Personal and caring approach in communications
• Supporting organic, sustainable agriculture through our purchasing practices
• A business environment that is respectful and supportive of all employees, and of the people we serve
• Personal and social healing through our charitable giving
• Environmental responsibility
• Honesty and integrity in our business practices
• Fun is good
• Generosity

A Passion for Doing Good
Badger produces 100% natural and certified organic body care products. Family-owned and family-run since 1995, the company began when Badger Bill, a carpenter at the time, cooked up a recipe of natural ingredients strong enough to soothe his rough, dry, and cracked hands. By combining olive oil, beeswax, castor oil, aloe vera and essential oil of sweet birch, the original Badger Balm was born: a simple, all natural soothing and healing balm that really works!
Today, a team of over eighty Badgers, including a majority of the company’s owners, formulate, manufacture and ship over one hundred certified organic personal care products across the country and around the world. We work hard to maintain a healthy community-minded business with ethical and charitable social principles, and we support sustainable organic agriculture and source fair trade ingredients whenever possible. We do this because it's what we love, and it's the right thing to do.

Healing Products ~ Healthy Business ~ Make a Difference
BADGER IS A CERTIFIED B CORP

Certified B Corps are companies committed to inspiring positive change in the world through a better way of doing business—putting people and the planet ahead of profit. As a Certified B Corp, we meet rigorous standards for transparency, accountability and social and environmental performance. Every two years, B Corps must undergo an intensive review process conducted by the third-party non-profit B Lab to verify that company policies and practices do indeed support their mission.

B Corp values, such as being a force for good and an agent of positive change in the world, have always been part of Badger’s vision and mission. In 2011, we became a Certified B Corp because we wanted to codify and measure our commitment to positive environmental and social practices in a transparent way that incorporates continual improvement. We celebrate our B Corp Certification because in addition to reflecting our mission and principles, it connects us to those who share our values – people using business as a force for good. In 2015, we completed our third B Impact Assessment with an overall score of 138, 58 points above the minimum score needed for re-certification.

NH Passes Benefit Corporation Legislation

On January 2, 2015, Benefit Corporation Legislation passed in NH! Badger was a driving force behind this victory, along with New Hampshire Senator Molly Kelly and others, and we were one of the first NH businesses to register as a Benefit Corporation.

What is a NH Benefit Corporation?

A Benefit Corporation is a legal corporate status (like being a C Corp or an S Corp) that allows businesses to write their greater purpose and mission into the DNA of the company. In following a triple bottom line model, this new type of corporation must consider non-financial interests when making decisions, such as social benefit, employee and supplier concerns, and environmental impact. All Benefit Corporations must also provide transparency and accountability on their social and environmental performance by publishing an annual benefit report, which is subject to third party assessment standards.

Why do we feel it’s important to be both a Certified B Corp and a Benefit Corporation? First, it’s necessary to note that a business can be a Certified B Corp without becoming incorporated as a Benefit Corporation, and vice versa. However, both are still subject to rigorous scrutiny and held to the highest ethical standards. At Badger, we felt strongly that becoming a Benefit Corporation not only added an additional level of accountability and transparency, it also provided us legal advantages that safeguard our mission and principles so they can continue into the future. For more information visit bcorporation.net.

Read the full report at bcorporation.net
GOVERNANCE: Creating Shared Value

Our mission and principles form the foundation for all we do. We believe that in order for a company to prosper and generate goodness over the long term, we must create shared value for stakeholders, employees, and society while remaining transparent in all that we do. Being a good corporate citizen isn’t simply “just good for business,” it’s how we give back to the people and communities that help us ensure a healthy planet for current and future generations.

In support of meeting these objectives and honoring our mission, B Corp specific goals and impact are reviewed at our company board meetings. In 2015, we elected a Benefit Officer and added specific benefit requirements to our bylaws.

Employee Transparency & Engagement

One way that we continue to remain transparent while actively engaging all stakeholders is to share quarterly financials at our monthly company meeting. This presents the opportunity to conduct mini-trainings on Badger’s finances by way of sales, expenses, and their impact on profitability. Another way we engage employees is through 360 degree training. In addition to learning specific job skills, all new employees, including seasonal and temporary workers, are trained on our mission, vision, culture, benefits, and social practices. This is done with the aim of actively engaging employees in the good work that Badger aspires to do in the world.

In 2015, we launched “What’s Up Badger?” a weekly newsletter for sharing company announcements, such as new hires and policy changes, events taking place at Badger and in the local area, information related to Badger sustainability, and other topics of interest within our workplace community.

Annual Company Retreats

Our annual company-wide retreats bring us together as a community to re-connect on our mission and strategic plan.

This year, we focused on finding ways to integrate our mission of ‘Healing Products ~ Healthy Business ~ Make a Difference’ into the fabric of the business. Day two of the retreat saw the entire company engaged in Relationship Systems Intelligence training, learning how to work together in ways that are more effective. This was followed by department-level work on the strategic plan.

Customer Engagement & Communication

Badger’s Blog (established in September 2014) continues to help deepen the relationship we have with our loyal customers while embodying the governance ideals of transparency, accountability, and stakeholder engagement. It shares our mission in action, answers customers’ questions, and provides a direct line of communication to all interested parties.

In 2015, fifty-one employee-authored blogs were posted on topics ranging from GMO labeling, to New Hampshire passing Benefit Corporation legislation, to tips for mindful sun safety, to DIY projects, to Badger’s Babies-at-Work Program and more, demonstrating the wealth of knowledge, expertise, and enthusiasm within the Badger community.
WORKERS: Family- and Work-Friendly Policies

Our efforts to maintain a healthy work-life balance at Badger never ends. We endeavor to construct an environment where employees feel respected, valued and accountable to co-workers and customers, and where our communications reflect a personal and caring approach in line with our principles. This year, Badger was recognized as one of the 2015 “Best NH Companies to Work For” by Business NH Magazine and its partner NH Businesses for Social Responsibility.

• 74 FTE* Employees
• 14 FTE* positions added
• 18.9% workforce expansion
  *FTE = Full Time Equivalent

“There’s a spirit here of everyone being all in, and of being able to accomplish goals no matter what the scale. I’ve had my own share of vulnerabilities as a working parent and there’s no way I could do it in a community less supportive. Badger is family.”

- Emily Mason, Customer Service, with Badger since 2011

Our Mission in Action: A Truly Healthy Place to Work
In order to create and maintain a healthy community, both in and out of the workplace, we offer innovative, employee-centered benefits that promote wellness and a sense of well-being. In addition to twice-weekly yoga classes in our meditation room, an on-site gym, and chair massages every other Friday from a licensed therapist, alternative employee benefits also include:

Badger Wellness Fund
Full time employees are reimbursed up to $800 per calendar year for health-related expenses, including massages, sports and outdoor equipment, non-qualified medical expenses and other eligible items.

Free Lunch
Every day starting at noon, Badger employees come together to enjoy a free and organic home-cooked lunch prepared by our two talented cooks. This paid half hour helps foster connections, build relationships, and promote fun.

Profit Sharing
Because all Badgers contribute to the success of the company, employees receive yearly profit sharing based on 7% of profits. This is done not as a percentage of annual salary but as a total amount divided equally amongst all employees based on hours worked in a year.
Paying a Living Wage
Over the years, we’ve made some unique commitments within our compensation philosophy to support a living wage, such as pledging to a ratio no greater than 1:5 between our lowest and highest paid employee. On the national front, Badger has continued to support raising the minimum wage by signing the national Business for a Fair Minimum Wage pledge.

In 2015, we instituted a newly re-calculated compensation structure in which all Badgers, including seasonal employees, make a base wage of at least $13.80 per hour, 190% of the NH minimum wage.

- NH minimum wage - $7.25
- Badger’s base wage - $13.80 (not including benefits)

Our seasonal employees, who are valued members of our community, make it possible for us to do what we do, especially during our busy period from January to July. So starting in 2015, in addition to increasing the base wage we also began offering seasonal workers accrued paid time off based on a percentage of time worked. This year, thirty-six seasonal employees worked in customer service, shipping, assembly, production, marketing, and our gardens.

Family-Friendly Business
At Badger, we believe it takes a village to raise a family and for us, business is community. So the benefits we offer parents are designed to support evolving families and key to creating a truly family-friendly culture.

Paid Parental Leave
We provide extended paid parental leave to give new parents time and space to bond with their new babies during those crucial early months.

Babies-At-Work
Our Babies-at-Work program allows parents to bring babies to work until they reach six months of age or begin crawling, enabling both parents to continue doing their jobs while simultaneously caring for their young children.

Calendula Garden Children’s Center
From 6 months to 3 years, children can attend Calendula Garden Children’s Center, the Waldorf-inspired Badger daycare facility located a quarter mile away from our main facility in a home setting. Established in 2013 to better support Badger parents, Calendula Garden offers flexible enrollment, subsidized tuition, and discounts for families with more than one child in attendance.

Badger also offers employees with school-aged children (through 8th grade) childcare reimbursement of $800 per year per child to help offset the cost of camp each year.

“Our hope is that more businesses adopt family friendly practices that benefit parents and children. Even small steps, like providing flexible scheduling, can cost a company very little while making a big difference in employees’ lives.”

– Katie Schwerin, COO & Co-owner, with Badger since 1995
COMMUNITY: Getting Involved & Giving Back

Charitable Giving

Badger donates 10% of pre-tax profits (and a lot of free product) to non-profit organizations that focus on the health and welfare of children and the promotion of peace, as well as organizations serving our local community. We match up to $100 of an employee’s annual contribution to charitable causes and donate $50 to a non-profit organization chosen by the employee in honor of his/her birthday each year.

Badger is a business devoted to and built around the principles of kindness and compassion, where we support the people we work with, our suppliers, our community, and those we serve.

- $94,180 in monetary donations
- $27,108 donated in product
- More than 113 organizations supported

For a list of organizations we support visit badgerbalm.com

Paid Company Community Service

We encourage our part-time and full-time employees to support the community through volunteer activities. Twice a year, during the normal workday, employees volunteer time for roadside cleanups, apple gleaning, building trails and other activities that benefit the local community. Employees can also take advantage of 8 hours of paid volunteer time per year to participate in environmental and/or community projects on their own.

307 PAID VOLUNTEER HOURS

NON-PROFIT SPOTLIGHT
The Orchard School and Community Center

Located in neighboring Alstead, NH, The Orchard School and Community Center is an independent school for children ages 2 through kindergarten that also offers after-school programs and camps for children of all ages. The Orchard School early childhood program draws from place-based learning, environmental education and other early learning philosophies and best practices to provide age-appropriate programs in a nurturing and stimulating environment. Not only is the school an integral part of the extended Badger community, but our charitable giving mission ardently supports The Orchard School in connecting children to nature through its gardens, fields, forests, and orchard.

Learn more: theorchardschool.org
Sustainable Sourcing

Every Badger product is made with pure, safe, beneficial, and cruelty-free ingredients sourced from mission-aligned suppliers. We use mostly USDA Certified Organic ingredients and believe that supporting sustainable, organic agriculture produces higher quality raw ingredients and protects our environment and farmers and their families from the dangers associated with chemical farming.

“The guiding principles behind Badger’s purchasing philosophy revolve around keeping our supply chain short and bolstering existing vendor partnerships. It’s important to us that our raw materials and packaging are acquired as sustainably as possible, from people we trust and have relationships with, keeping us close to the source – in the vast majority of cases, this trumps business-as-usual, bottom-line purchasing.”

– Will Collins, Purchasing & Sourcing Manager, with Badger since 2011

Suppliers’ Day

In 2015, Badger hosted our first-ever Suppliers’ Day, a two-day event in which representatives of more than half of our key suppliers traveled to Badger headquarters to experience first-hand our unique mission and principles and to explore opportunities for greater sustainability along the supply chain. A representative from B Lab also attended. Visitors participated in discussions and presentations, toured our facility, joined Badger employees for the daily organic lunch, and enjoyed a celebratory dinner with music at Orchard Hill Breadworks in Alstead, NH.
Badger cares deeply for the environment—always has and always will. Environmental responsibility is one of our key operating principles, informing and inspiring all we do. This caring and mindful approach is reflected in every detail of our eco-friendly facility, from our use of cellulose insulation and natural light to reduce energy consumption, to our organic and biodynamic gardens that provide produce for our lunch program.

Our continued commitment and conscientious, mission-driven approach to earth-positive practices earned us an Environment score of 57 on our 2015 B Impact Assessment. For this, Badger was honored on B Corp’s “Best for the Environment” list, which recognizes businesses that score in the top 10% of over 1,600 Certified B Corps worldwide for environmental performance.

- In 2015, we purchased carbon offsets for 100% of our business air travel through a fellow B Corp
- Our tins are 100% recyclable and are made from 25-60% post-consumer recycled tin-plated steel
- 100% of our food scraps are composted on site and used in our gardens
- 15.3% of our purchased electricity comes from renewable resources

Growing Greener: Measuring What Matters

We believe that doing good for the world means consistently striving to do better. While we celebrate our high Environment score, our recent B Corp re-certification also revealed ways we can improve our environmental performance, namely through the creation of an Environmental Management System (EMS) to help track our impact and set goals for improvement. Inspired by this goal, Badger collaborated with Antioch University New England, a local graduate school, to provide students the opportunity to gain valuable professional experience through the creation of an EMS. During this semester-long capstone project, five students worked closely with Badger employees to design a customized EMS, which included a Scope 1 & 2 Greenhouse Gas Assessment (GHG), waste audit, qualitative evaluation, and recommendations for areas of improvement.

Antioch student Sasha participating in a waste audit at Badger
Working Towards a Common Goal

This year, we established a Sustainability Committee comprised of representatives from each department working to solve sustainability challenges that affect our community. Sharing insights and ideas from all levels of our organization, this team works to encourage change and inspire personal responsibility while helping to implement the EMS created by the Antioch student team. Many goals were reached this year with more exciting initiatives on the horizon for 2016 and beyond!

2015 SUSTAINABILITY COMMITTEE ACHIEVEMENTS:

- Installed energy-efficient hand dryers in all Badger bathrooms to reduce paper towel consumption
- Diverted napkins and paper towels from our waste stream
- Held contests to encourage employee carpooling
- Expanded recycling to include all plastics, #s 1-7
- Posted signs to better educate employees on what can be recycled and where
- Installed a large walk-in refrigerator to decrease the number of food deliveries needed each week and reduce associated greenhouse gas emissions

From Sandpit to Fertile Ground

With growing concerns about the impact of soil management on global climate change, how we work with soil becomes an ever-more important issue. The land where the Badger facility now sits started out as a sandpit, with sparse vegetation and little soil fertility. But with a lot of love (and compost!), what once was a barren site is now a thriving landscape with organic, biodynamic vegetable and medicinal herb gardens. Fed in part by the organic compost of food scraps diverted from our waste stream, the health and beauty of the soil and land is slowly coming back to life. While this transformation from sandpit to thriving biome is good for our local environment, on a broader scale we feel it is ecologically responsible and important for our global ecosystem.
HEALING PRODUCTS

From healing balms and natural mineral sunscreens to bug repellent, face care, hair oils, and lip balms, we make a wide array of safe and effective products that are good for you and good for the planet!

· We offer **105** Products
· **100%** are Leaping Bunny Certified Cruelty-Free
· **76%** are Certified Gluten Free
· **71%** are USDA Certified Organic
· **13%** are OTC Drug Products (Sunscreens & Diaper Cream)
· **12%** are NSF Certified to Contain Organic Ingredients

Philosophy of Formulation

We believe in a sustainable and people-centered, holistic approach to healing and formulate based on inspiration, using ingredients that are close to the source. Badger hopes to enrich the lives of those around us through art, healing, and good intentions.

Although we focus on the needs of babies, children, new parents, and elders, Badger prides itself on having something for everyone. And our products are made from only the purest, safest, third-party certified ingredients.

Ingredient Spotlight: Soler Romero Olive Oil

In 2015, Badger used over 13,000 gallons of extra virgin olive oil! Rich in vitamin E, enzymes, fatty acids, and antioxidants, and used in many of our products, our olive oil is grown, pressed, and bottled by Soler Romero, a family-owned estate with a rich olive history dating back to 1850. Like Badger, Soler Romero is known for its environmentally friendly practices and quality products. A truly sustainable operation and ecological system, the only fertilizer Soler Romero brings onto the land is goat manure, and the only product that leaves the farm is olive oil. The rest, from tree clippings to wastewater to pressed olive remnants, are recycled back into the land, enriching the soil and improving the health of the olive trees and olives. And to produce the highest quality oil with the least oxidation and most health benefits, Soler Romero uses only perfectly ripe olives, cold-pressed within three hours of harvesting.

Celebrated around the world as a culinary delight and a favorite of Michelin star chefs in Europe, Soler Romero Olive Oil has won numerous international awards. In fact, our Badger cooks use the very same olive oil to make the delicious lunch that’s served daily to all employees. It’s also a fixture in the kitchens of many Badgers and their loved ones.

· **13,000** gallons of olive oil were used by Badger in 2015
· That’s **13,073** olive trees harvested from **294** of acres of organic agriculture (**222** football fields!)
In 2016, we plan to accomplish the following goals in these four key areas.

Environment
- Conduct two waste audits, during our busy and slow seasons.
- Achieve 60% waste diversion rate from our local landfill.
- Conduct a Scope 1 & 2 GHG assessment and purchase Renewable Energy Certificates (RECs) for 25% of electricity usage. Monitor business travel and employee commuting travel, with a goal of reducing miles traveled.
- Grow over 750 lbs. of food in our organic, biodynamic gardens to reduce the impact and emissions associated with the transport of food.
- Implement a company-wide employee engagement program focused on sustainable sourcing through the Sustainability Committee.
- Commit an average of twenty-four dedicated employee hours to sustainability per week and track these hours throughout the year.
- Develop a plan for adding solar panels to the Badger building.
- Monitor and record monthly water usage as part of our EMS.

Community
- Monitor paid volunteer hours, with goal of reaching 400 volunteer hours. Implement events to engage employees in volunteer programs in support of this goal and our mission and principles.
- Improve our sustainable sourcing practices by conducting an audit, creating a plan, and implementing a vendor compliance program that includes visiting suppliers and farms to learn more about how they do what they do.

Governance
- Conduct our fourth B Impact Assessment for re-certification as a B Corp.
- Re-envision our Board for 2017 to incorporate stakeholder membership.

Workers
- Implement a leadership training program for employees.
- Re-evaluate our compensation structure and improve our compensation plan.
“Love, kindness, compassion and generosity are powerful invisible forces that find expression in the visible world in the ways that Badger goes about its business. You can see reflections of Badger's inner spirit in the tins and bottles that we craft. It also becomes visible through charitable giving, through our day care and babies-at-work program, and as we say in our mission statement, ‘in the ways we treat each other and the people we serve.’”

- Bill Whyte, CEO and Head Badger