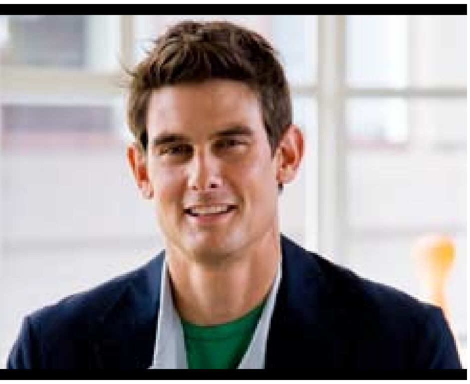
Founder

# Method's carbon reduction incentive for suppliers

By Adam Lowry, Founder and Drummond Lawson, Environmental Strategist

"For every thousand strikes at the branch, one strike at the root."



(Adam Lowry)

Method has been offsetting the carbon footprint for both employee travel and the manufacture of our plant-based soaps and personal care products since 2004. But last fall we started to think about a better way to invest that money. Working with carbon offset provider NativeEnergy, we've developed a novel 'carbon reduction' program that emphasizes the primary importance of reducing, rather than just offsetting, our carbon emissions. The program creates financial incentive for our suppliers to identify the opportunities where we can prevent carbon emissions by partnering with them to find efficiencies and product development and design-side emission reductions.

**Program Structure**

Working with NativeEnergy, we start by performing an initial carbon audit. First, we identify all carbon emitted from direct energy consumption in the company's offices and in the manufacture of our products at our first tier supply chain partners—the bottle manufacturing, and the product blending and filling. Second, we identify all carbon emitted from energy consumed in employee work travel and daily commutes.

We then work with our suppliers to look for areas where we can reduce emissions—primarily through efficiencies and best practices in the manufacturing process. For any reductions achieved, we shift payments for the offsets that would have been required to the supply chain partner. That's right, we pay our suppliers to reduce their emissions.

We calculate total reduced carbon over a two-year period and pay a reduction incentive in the value of the offset per ton of avoided carbon emission. This incentive will also be paid in any subsequent years for which the carbon reduction averts offsets Method would have otherwise purchased. Our current goal is to be able to move at least 10 percent of the money we currently use to purchase offsets into the incentive program over the next two years.

Prior to this program, the majority of our investment was in offsets with no way to encourage actual reductions. This program realigns Method's investment in climate change mitigation to our strategic priorities, which are: avoiding emissions where possible, using renewable fuels and offsetting the remaining emissions with high quality, traceable offsets.

*"We pay our suppliers to reduce their emissions."*

**Be The Change Recommendations**

1. Ask your supply chain partners to identify sources of energy efficiency. They'll know their business better than you or any consultant. You'll be surprised with the results.

2. Explore carbon offset suppliers that can also help manage and reduce a company's carbon footprint. Remember: reduce, reduce, reduce, then offset.

3. Look at your whole business—from manufacturing footprint to employee commutes—to see where changes will have the biggest effect.

# South Mountain Company's governance and employee ownership model

By John Abrams, Founder

At South Mountain Co., all employees are on a path to ownership—and the responsibility that comes with it. Our 33-year-old design/build and renewable energy company, located on Martha's Vineyard, began as a partnership in 1975, became a sole proprietorship in 1984, and re-structured as a worker owned cooperative in 1987. The decision to become a worker owned cooperative was a difficult and frightening decision, but the rewards have been great. We were able to create a structure and process that distributes both financial equity and policy control.

Worker cooperatives are businesses that are owned and controlled by those who work in them. The democratic workplace creates an effective alternative to the traditional corporate model, and to the more common employee ownership option of Employee Stock Ownership Plans (ESOPs). In a typical ESOP the workers own a portion of the stock, and share, to lesser or greater degree, the wealth generated, but they generally do not control the operations and destiny of the company.

Worker cooperatives, on the other hand, are governed democratically by their members, who elect the board of directors (at least a majority) and vote on policy matters on a one-person/one-vote basis rather than one share/one vote.

**Two other characteristics set them apart:**

- Worker cooperatives are membership organizations which limit membership to employees who complete a trial period and invest a membership fee; and
- A portion of corporate earnings is allocated to members on the basis of their work investment rather than on capital investment.

At South Mountain, we decided to have an unusually long (five-year) trial period to insure compatibility and smooth transitions. We also maintain a fixed ratio between the lowest wage and the highest within the company. Our board meets six times a year and makes decisions by consensus, with a back-up supermajority voting system that has rarely been needed during our 21 years of shared ownership. By sharing both profits and control, we've expanded financial and personal opportunities for all of our employee-owners.
By creating the legal and financial infrastructure to support a cooperative, we've enabled everyone involved in the company to earn more than an hourly wage, whether it's a nest egg for the next portion of their lives or a sense of belonging to a workplace with deep connections to the region that sustains it.


(South Mountain Co.'s Staff)

*"We've expanded financial and personal opportunities for all our employee-owners."*

**More info:**

- Read "Participatory Employee Ownership: How It Works," by Logue, John, Richard Glass, Wendy Patton, Alex Teodosio, and Karen Thomas
- Read "Equity – Why Employee Ownership Is Good For Business," Rosen, Cory, John Case and Martin Staubus.
- Visit National Center for Employee Ownership: *www.nceo.org*
- For more on South Mountain's journey, see John's book *Companies We Keep*, Chelsea Green Publishing, 2008, and his blog at *www.companywekeep.net*

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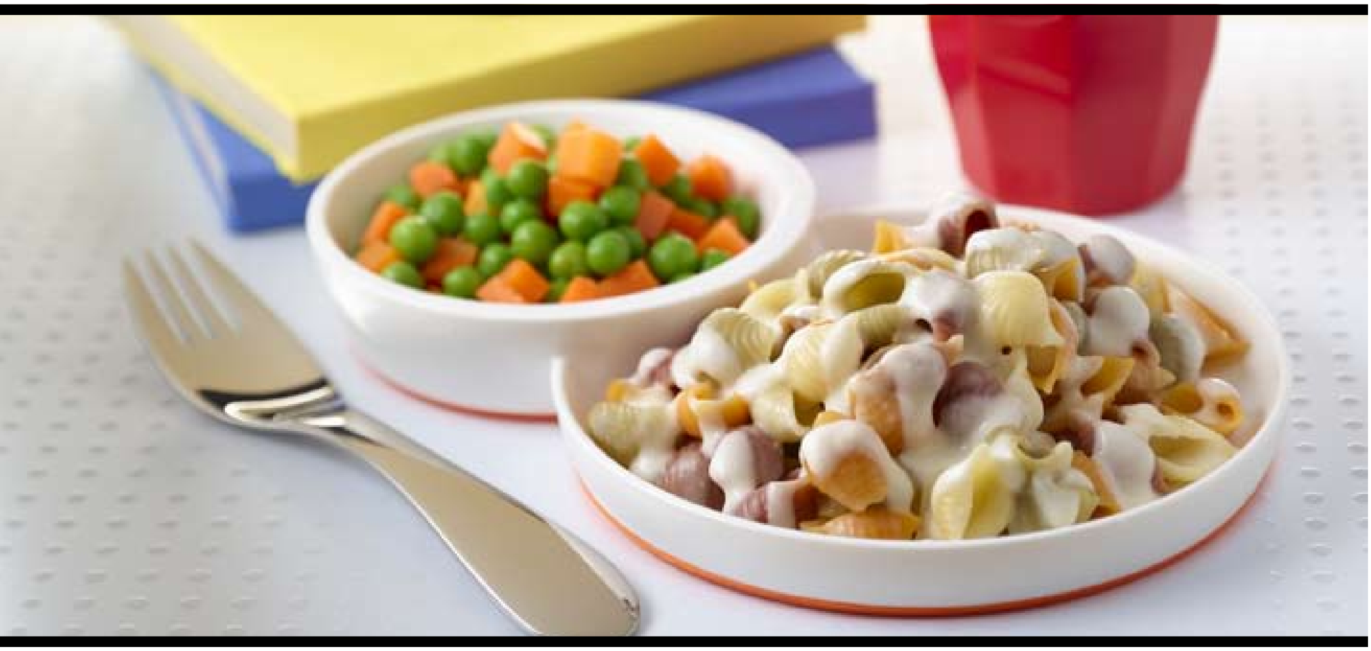
See some of the dozens of other B Corps that have received outside capital on p.16

# Plum Organics' Mission Maintenance Strategy

By Amy Westervelt



Plum makes eating healthy fun.

The mission of any company is most vulnerable during mergers and acquisitions.

Becoming a Certified B Corp is one way to write a mission into the DNA of a company and ensure that high standards of social and environmental performance will be met post-sale. According to Gigi Lee Chang, founder of organic baby food company Plum Organics, which recently became part of the Nest Collective, it's also about choosing the right partners.

"For me, I knew that Nest would be a partner that would really safeguard the mission as much as I would," Chang says. "It is mission-driven; the whole model is about being a holding group for early-stage mission-driven companies to allow them to flourish."

Launched in 2006, Plum Organics now sells its healthy, organic frozen baby food and kids' meals in 700 stores around the country, including Whole Foods, Babies 'R' Us and Target. The company pulled in nearly $1 million in sales in 2008 and continues to grow exponentially. According to Chang, finding the right partner allowed her to breathe a bit, lean on her new team of professional advisers and staff, and be comfortable as part of a greater whole.

*"B Corp ensures we'll consider more than just the return of our investors in making liquidity decisions."*

Being a Certified B Corp also helps, according to Chang, "It's not so much a validation as it is a way to tangibly express our mission, and place it in a larger community of like-minded people and companies," she says.

Chang is now working with Plum's parent company, Nest, as well as its other subsidiaries, to become Certified B Corps. Nest CEO Sheryl O'Loughlin sees value in B Corp as well. "The B Corp legal framework is especially intriguing," says O'Loughlin. "It would ensure that Nest will consider more than just the internal rate of return of our own investors in making decisions regarding Plum and any future liquidity event."



the change we seek™

# Using Business to Spread Charitable Wealth

Founders

## Give Something Back, Untours, Better World Books, BetterWorld Telecom

By David Cohn

Most everyone has heard of Newman's Own, but Newman's is not the only company that uses its profits to tackle social issues.

When Sean Marx and Mike Hannigan co-founded Give Something Back Business Products (GSB) in 1991, their mission was simple: Sell business products in order to build stronger communities. Following Newman's example, GSB donates more than half of its profits. Uniquely, the charities are chosen democratically by its customers and 82 employees who all have equal voting power in the process.

The company made $325,000 in donations in 2009 on its 2008 revenues of $24.8 million. In 2009, revenues are down about 10 percent but GSB will remain profitable, according to Hannigan. In recent years voters have selected various food banks and shelters.

GSB is a Founding B Corp and has been about social and environmental responsibility from the beginning. Fifty percent of GSB's energy comes from on-site solar; in June, GSB became a state-certified collector of electronic waste in an effort to prevent toxic substances from being dumped in landfills; and GSB has also championed the Box-Take-Back program, where shipment boxes are brought back and reused.

"The whole idea of B Corp was totally consistent with our core organizing principles and consistent with our past history," Hannigan says. "They give an organizational form to what we've always been about." GSB plans to reincorporate as a new corporate form once the California legislation B Lab is working on passes, hopefully in 2010 (see "A New Kind of Corporation," p 13).

There are a handful of other B Corporations putting their profits toward a good cause. Untours, a 30-year-old travel business offering apartment-based independent vacation packages in Europe, was the first company to commit to B Corp certification and founder Hal Taussig has been an inspiration to B Lab's co-founders. In 1993, he founded The Untours Foundation, which uses 100 percent of profits from Untours to offer low-interest loans to socially responsible businesses that address poverty through creating jobs.

BetterWorld Telecom, seller of communication services to socially responsible nonprofits and small businesses, contributes three percent of revenues to social and environmental causes while saving customers an average of 28 percent off major providers. The communications company became carbon-neutral in 2007.

Better World Books is an Internet bookseller that harnesses the power of capitalism to bring literacy and economic opportunity to people around the world. More than 90 percent of its employees share ownership and use more than 50 percent of profits to fund over 80 literacy programs in the U.S. and around the world. Better World Books recognizes "the importance of literacy in alleviating poverty and empowering individuals to improve their everyday lives," according to David Murphy, CEO.