



Public Benefits Corporation Annual Report

Fiscal Year 2016

Reporting Period January, 1, 2016 – December 31, 2016

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March 30, 2017

To Our Friends and Colleagues in the Community,

Azul Seven is a design firm that combines human-centered design and biological approaches to solving business challenges. Our mission is to help clients grow sustainably by creating products and services that work better for people and the planet. That means we help clients better understand the people they serve, and the ecosystems in which they do it.

We joined the B Corporation movement in Minnesota in 2015, because we want to be good corporate citizens in the region. We're proud to have completed our B Corporation certification in 2016. In a landmark year, we also moved to new offices, launched an updated website for Azul Seven, and completed numerous major client projects.

We continue to believe in a world where we can create value and profit to enrich our local economic health; protect and enhance our natural environment and shared ecosystems; and support and build upon our cultural landscape. We remain inspired by the vision of thriving local and global communities, and I encourage you to join with us in realizing this vision through the B Corporation movement.

Sincerely,

A handwritten signature in black ink, appearing to read "Lisa Helminiak". The signature is fluid and cursive, with a large, stylized initial "L".

Lisa Helminiak
CEO
Azul Seven

introduction

Azul Seven was incorporated on March 24, 2015 as a General Benefit Corporation under Minnesota's Public Benefit Corporation Act (the "Act"). Pursuant to Section 304A.101 of the Act, Azul Seven's general public benefit purpose as stated in its Articles of Incorporation is to pursue a net material positive impact from the business and operations of a general benefit corporation on society, the environment, and the well-being of present and future generations.

In 2015, Azul Seven selected the following independent, third-party standard: B Impact Assessment, developed by B Lab. Azul Seven elected to continue using the same standard in 2016 and has applied the B Impact Assessment in a manner consistent with the application of the standard in 2015.

2016 was a year of transformation. We completed the B Corporation certification process administered by B Lab and achieved many of our goals for workers, community, governance and the environment. This report reflects where we are today and what we aim to achieve in 2017.

As a company and B Corporation, we continue to make strides to be more fair, more inclusive and better stewards of the environment by:

- + Hiring a diverse staff;
- + Paying fair and equitable wages;
- + Continuing to find ways to lessen our negative impact on the environment;
- + Supporting our local economy by purchasing goods and services from local suppliers and partners, when possible;
- + Volunteering, as well as investing financial resources for social good; and
- + Making a commitment to improve our impact each year.

assessment scores

	Azul Seven Total Points*	Percent Earned	B Corp Average*
Overall Rating	82.0		97
Governance	17.5	70.0%	14
Corporate Accountability	14.5	80.6%	10
Transparency	3.0	42.9%	4
Workers	26.4	52.8%	26
Compensation, Benefits & Training	18.0	58.7%	17
Worker Ownership	2.3	25.6%	3
Work Environment	4.5	60.8%	5
Community	32.1	48.5%	44
Community Practices	31.3	48.8%	20
+ Suppliers & Distributors	4.0	66.7%	4
+ Local Involvement	7.0	58.3%	6
+ Diversity	3.7	33.6%	3
+ Job Creation	0.0	0.0%	2
+ Civic Engagement & Giving	5.5	42.3%	5
Consumers	11.2		18
Consumer Products & Services			18
+ Serving Those in Need	11.2		
+ Products or Services			
Environment	6.0	30.0%	13
Environmental Products & Services			8
Environmental Practices	6.0	30.0%	
+ Land, Office, Plant	4.6	41.8%	5
+ Inputs	0.7	10.8%	3
+ Outputs	0.7	28%	1
+ Suppliers & Transportation	0.0	100%	3

* For Certified B Corps, Total B Impact Scores will not equal the sum of the sub-scores since each reflects a median score

Azul Seven's Public Benefit Goals and Progress

Workers (Our Employees)

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Azul Seven's staff is central to our success as a service organization. We continue to work hard to attract and retain skilled and talented team members. In 2016, we updated our employee handbook to meet B Lab standards, and we implemented transportation reimbursement for full-time employees. We increased workplace flexibility on a case-by-case basis in 2016, allowing employees to work from home when possible and request special working arrangements or time when needed.

Azul Seven offers health benefits through the company and pays the first \$500 of employee premiums. We also offer dental, disability, life insurance and a 401(k) plan. The full benefits package is available for all staff working more than 30 hours per week including their families and domestic partners.

Worker Goals for 2017

- + Work to meet B Lab's "B Corp Inclusion Challenge," by setting goals and improving on 3 or more inclusion metrics in the B Impact Assessment by September 2017.
- + Finalize policy establishing a transparent bonus plan (for profitable years) based on standard metrics.

Workers Challenges

Azul Seven works diligently to add and enrich benefits as we can for our employees. However, the rapidly rising cost of healthcare and other benefits remains the primary worker-related challenge for Azul Seven.

With a relatively small staff, instituting a company-wide policy for a flexible workplace is another challenge. We're committed to meeting employee needs for flexibility on a case-by-case basis, but as a business we also must weigh the tradeoffs in efficiency and effectiveness. Due to our highly collaborative work process, when someone is out of the office it reduces our productivity and directly affects profitability.

Lastly, identifying and hiring a racially diverse team with the requisite skill sets in design and technology is a challenge. But Azul Seven is committed to building as diverse a team as possible, and we're hopeful to make progress this year through participation in the B Corp Inclusion Challenge.

The Twin Cities, Minneapolis and St. Paul, have a long history of activism and support from businesses to improve the health and well-being of citizens. Azul Seven is committed to continuing that tradition. We give back to the community through direct gifts and in-kind donation of services, such as developing websites for industry associations and nonprofits like Gilda's Club Twin Cities, the American Marketing Association and AchieveMpls.

To create as much local economic impact as possible through our work, in 2016 we implemented a new local-purchasing policy, and we switched to Sunrise Bank, a local B Corp committed to community investing. We also implemented a new initiative giving employees 20 hours of paid time-off to volunteer at community nonprofits of their choice. We'll continue this initiative in 2017, however, our employees have chosen to volunteer their time and efforts working together as a team for a single nonprofit.

Community Goals for 2017

- + Finalize and implement our giving program directing 1% of profits back to the community through employee chosen community initiatives for qualifying nonprofits.
- + Work with employees in selecting a single community nonprofit project where we, as a group, can each volunteer up to 20 hours of paid time-off.
- + Refine processes for implementing local-purchasing policy.

Community Challenges

We don't expect any difficulties finding a nonprofit in need of our volunteer efforts. However, we may be challenged in finding a single organization with a need that matches the interests and skills of each Azul Seven staff member.

In regards to our local-purchasing policy, we will have to continue to weigh overall costs with our desire to keep purchases close to home in 2017.

Azul Seven's environmental impact results from the energy we use to run our office equipment and to commute from home to work, as well as, the waste we generate. In 2016, we completed the transition to low wattage light bulbs and low flow water fixtures in our old offices. But more importantly, we located and moved to new offices that will give us greater control over our environmental impacts.

The new location is a community-based setting that's more convenient to employees, yet still accessible to public transportation. Numerous Azul Seven staff members take public transportation, ride bikes or walk to work. As tenants in the new location, we are, for the first time, on our own electric meter. As a result, we are now able to monitor our energy usage and choose to participate in renewable energy purchasing programs to reduce our impact.

At Azul Seven, we've made a concerted effort to transition to a paperless office, working with digital documentation as much as possible. In addition, we work to minimize our use of toxic substances and reduce waste. We recycle paper, plastic and aluminum and look forward to composting in 2017 as service becomes available through Hennepin County.

Environmental Goals for 2017

- + Source and purchase electricity from a renewable energy program.
- + Transition new offices to low wattage light bulbs, low flow water fixtures and other energy saving tools.
- + Begin compost recycling.
- + Finalize incentives for biking, walking or taking public transportation to work.

Environmental Challenges

By relocating to new office space in 2017, we gained autonomy in our electricity supply and removed a major barrier to improving our environmental impact. Limited experience and expertise is likely to be the only remaining challenge in evaluating options for purchasing or investing in renewable energy.

Azul Seven is a small, privately held company with a simple governance structure. In 2016, we transitioned from an advisory board to an advisory network. We also solicited feedback from clients and staff to improve our training, consulting and design services.

Other achievements in 2016 include the completion of our first public benefits report for the State of Minnesota and the establishment of a B Corp Employee Team. We expected a few staff members to join the team, but were thrilled when every staff member chose to participate in the planning and management of our B Corp journey.

Governance Goals for 2017

- + Create a process to best utilize advisory network
- + Reapply for federal woman-owned business status
- + Establish planning and reporting processes for implementation by the B Corp Employee Team

Governance Challenges

Azul Seven is fortunate to have a strong network of advisors willing to provide feedback on our company goals and initiatives. However, gathering their input in a board setting has proven challenging from a scheduling perspective. Moving forward, we hope to make better use of their expertise through regular, one-on-one or small-group communications.

Another governance challenge that continued in 2016 was giving the necessary time to measuring and reporting the work we do toward our public benefit goals. As a small company, with limited human resources, we accept this will continue to be a challenge, and we're working to give greater ownership of the process to the B Corp Employee Team.

certification by the CEO

I, the undersigned, certify that I am the Chief Executive Officer of this public benefit corporation. I further certify that I have signed this document no more than 30 days before the document is delivered to the Secretary of State for filing, and that this document is current when signed. I further certify that I have provided all required information and that the information in this document is true and correct and in compliance with the applicable chapter of Minnesota Statutes. I understand that by signing this document, I am subject to the penalties of perjury as set forth in Section 609.48 as if I had signed this document under oath.



Lisa Helminiak
CEO
March 30, 2017