



Annual Benefit Report

SHEMA, GBC

The undersigned, being the sole members of the Board of Directors of Shema, GBC, a Minnesota General Benefit Corporation (the “**Company**”), acting pursuant to the provisions of the Minnesota Business Corporation Act, hereby agree to the adoption of and hereby adopt the following resolutions:

WHEREAS, the undersigned constitute all of the directors of the Company;

WHEREAS, Alisha Siemens, drafted the Company’s Annual Benefit Report covering the period of January 1, 2019, through December 31, 2019 (the “**Report**”), which is attached as Exhibit A;

WHEREAS, pursuant to Minn. Stat. § 304A.301, the Company must choose a third-party standard for the Report;

WHEREAS, the Company has chosen B Impact Assessment as the third-party standard, which is promulgated by an independent organization, B Lab;

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors certifies and approves as acts of the Company the selection of B Lab and the B Impact Assessment to fulfill the Company’s obligations pursuant to Minn. Stat. § 304A.301 and certifies and approves the Report as drafted.

IN WITNESS WHEREOF, the undersigned have executed these Resolutions effective as of the date first written above.

Adam J. Goldstein

Adam Goldstein, Director

Alisha Siemens

Alisha Siemens, Director

David Melander

David Melander, Director

Susan F. Goldstein

Susan Goldstein, Director

EXHIBIT A

ANNUAL BENEFIT REPORT FOR SHEMA, GBC

The Board of Directors of Shema, GBC submit this Annual Report (“Report”) covering the period of January 1, 2019, through December 31, 2019, pursuant to Minn. Stat. § 304A.301, Subd. 3. This is the fifth delivered Report for filing by Shema, GBC. The Board of Directors of Shema, GBC has certified the choice of B Lab as its third-party standard for the following reasons: (1) B Lab is an independent globally recognized third-party certifier of B Corporations and, (2) B Lab carries the same values as we do with respect to business and entrepreneurship.

With regard to the structure and governance of Shema, GBC and the third-party standard, we are structuring and governing our company in such a way that social impact (specifically concerning our key demographic of at-risk and survivors who are women in Southeast Asia) is our primary measure of success—even when not contributing to profitability—as we are able to move forward in the operation of our business according to our stated plans, we will continue to create extensive general public benefit. Moreover, our structure and governance will also help pursue our specific public benefit of creating positive social impact in geographic areas with an impoverished demographic usually targeted for human trafficking.

We are pursuing a general public benefit and specific public benefit as follows: we are currently building the foundations of our business model, developing and working to produce our clothing products from sustainable and renewable resources, and partnering with existing producers in Southeast Asia employing and empowering survivors of human trafficking. We are currently working with two established partner producers in Nepal and Cambodia. They each have considerable and measured impact among our target demographic. The sewing center in Nepal is also assessed by a third-party standard and are world-fair-trade certified.

With regard to the community in suppliers, distributors, and the product we screen for social and environmental impact in for both positive practices and negative practices. Our principal textile supplier holds third party certifications (GOTS and ISO and organic certification where applicable) and supplies ethically produced textiles to our partner producers where we developed our final product. We incorporate fiber that comes from organically grown forests that are processed in closed loop, energy efficient way.

This year, Shema, GBC was accepted to be a member of the Freedom Business Alliance which is a global network creating business solutions to human trafficking. Our fulfillment center in the United States is also a freedom business which aligns to our core beliefs and practices.

With regard to environmental outputs and inputs of the third-party standard, our structure is to have the products be produced in minimal-energy consumption countries using low energy consuming equipment that is fit for the location. The energy consumed per product will be inherently very low, but currently unquantifiable, compared to “factory” produced garments. Daily operations are 95% via virtual office. Virtual work benefits the environment because with less travel, it lowers the amount of vehicle emissions and decreases fuel usage.

Shema, GBC is an official partner of One Tree Planted that plants trees to help us offset our carbon footprint. Our goal is to be carbon neutral by the next two years.

In our usage, 95% of our packaging, shipping labels, greeting, Christmas, and thank you cards, are made from discarded fibers recovered from the garment industry, 100% biodegradable, and recyclable material. For our printed content, we also have chosen a supplier that has environmental certifications and best practices.

Currently, the public benefits Shema, GBC has created during the period covered by the report is as follows: regarding the benefit to the community through diversity and inclusion, Shema, GBC currently has a 50% women ownership and 50% women on our board of directors.

The benefit created during the period covered by the report to the community through civic engagement and giving includes 100 volunteer hours given to non-profits by the two company founders.

Our production during this reporting period with these suppliers provided some but minimal impact - nevertheless, our key demographic of at-risk and survivors of trafficking comprise the employees of our producers and are currently receiving fair living wages; literacy classes, job-skills and life-skills training; health care; and employer matched savings, all in a positive work environment as a result of our production orders.

We choose this third-party standard because it fell within the different goals that our company has been structured to achieve. As a company, we want to have transparency in areas of our company such as finances, our supply chain, and how we treat the environment. We want to be held accountable when it comes to different elements of our supply chain and we want to be graded in other areas of doing business. This third-party assessment will help us focus on issues such as our carbon footprint as we scale, how we do business with other cultures, and what kind of benefit we are to the world. B-Lab is globally recognized and since we are manufacturing in different countries, this type of assessment takes those kind of requirements into consideration. We were also drawn to this third-party standard because they view women as a benefit and look for ways to empower them. This is not only a goal that we have but is written in our articles of incorporation that—we will empower at-risk women and survivors of human trafficking.

We have a specific public benefit in our articles although we are a general benefit corporation. During our reporting period, we have not been able to incorporate every practice that we have set up in the structure of our company and although we had these limitations, we have done all that we can to accomplish our mission.

Shema, GBC Board of Directors has approved this report.

SHEMA, GBC

Alisha Siemens
By: Alisha Siemens

Date: 02.13.2020

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Adam J. Goldstein (Feb 15, 2009)

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Secretary of State