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2015 ANNUAL REPORT

3Degrees Benefit Corporation



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A Message from Our CEO



We are proud to be a B Corporation. It is core to what we do and informs the way we treat our employees, work with our partners, serve our clients and invest in our communities.

As a B Corp, our definition of success goes beyond just profit and includes creating prosperity for all our stakeholders, the community and the environment. We are continually striving to improve our success across all of these dimensions.

2015 was a year of change in our industry and required significant effort from our staff to respond to new market opportunities. Even so, we continued to invest time and effort into improving our performance as a B Corp. In 2016, we built momentum around a couple of key focus areas including employee development and community outreach. Some of the highlights of that work appear on the following pages.

We know we are not done yet, and probably never will be. Each year, we make a set of recommendations to our board of directors around where to focus efforts for the coming year. In 2016, as in the past, a number of those recommendations directly support our B Corp status. Our plans for the year are outlined in this document. Watch for our report next year to find out about our progress.

I hope you will enjoy reading about our achievements in 2015 and our plans for the future.

All the Best,

Stephen G. McDougal
Chief Executive Officer



HIGHLIGHTS FROM 2015

Expanding our mission and vision

As part of our rebranding process, we took a fresh look at our mission and vision. A cross section of employees met over several months to better align our mission and vision with the strategic direction of the company. The result? New mission and vision statements that speak to who we are and the impact we work to have on the planet.

MISSION: Connecting people with cleaner energy on a massive scale

VISION: A world where it is more valuable to solve environmental problems than create them

Expanding partnership with 5Gyres

In 2014, we made a financial contribution to 5Gyres, a non-profit dedicated to eliminating plastics pollutions in the world's lakes and oceans. In 2015, we expanded our relationship with the organization through a series of educational and volunteer activities. Representatives from 5Gyres briefed our San Francisco office on the dangers of plastics pollution — everything from garbage patches in the ocean to microbeads in cosmetic products. This presentation was a kick-off for our volunteer work with the organization. 3Degrees staff helped the 5Gyres study and measure the plastics content at Ocean Beach. In addition to this work, we also formed a study group to read and discuss “Plastic: A Toxic Love Story” by Susan Freinkel to deepen our knowledge about this important topic.



Investing in employee development

As planned, we took the first steps in offering more learning opportunities for our employees. Highlights of these professional development and personal growth opportunities included:

- + Book club meetings to discuss “The Lean Startup” by Eric Ries and “To Sell is Human” by Daniel Pink
- + A discussion group on President Obama’s Clean Power Plan
- + A brown bag on the science of happiness hosted by an employee
- + An in-depth webinar series on renewable energy procurement
- + An outside speaker on charting your own career, building new skills, and finding work-life balance

HIGHLIGHTS FROM 2015

Using our holiday greeting as a way to give back

Every year, like many companies, 3Degrees emails a holiday greeting to its customers, suppliers, and partners. In 2015, we decided to use this communication tool as a way to raise money for Green Empowerment, a non-profit that installs solar and wind projects in poor, rural communities in the developing world. When recipients shared our holiday greeting, we donated money to Green Empowerment. As the result of this campaign, we donated over \$2500 to this worthwhile cause.





Connecting people with cleaner energy on a massive scale.

I. Introduction

3DEGREES MISSION

3Degrees' mission is to connect people with cleaner energy on a massive scale. 3Degrees realizes this mission by partnering with utilities to offer green power options to millions of customers and providing renewable energy certificates (RECs) and carbon offsets to Fortune 500® companies, green building firms, utilities, and other organizations on their own sustainability journeys.

RECs and carbon offsets provide organizations with a market-based mechanism for supporting green power and greenhouse gas emission reduction projects and for mitigating the environmental impact of their energy use. 3Degrees helps grow the market for green power and greenhouse gas offsets in a number of ways. First, 3Degrees actively markets RECs and carbon offsets to consumers and businesses alike through its work with utilities and corporations. In addition, 3Degrees innovated the next generation of green power programs for both consumers and businesses by developing our Renewable Energy Procurement and Community Solar offerings that appeal to new market segments. Finally, 3Degrees works closely with industry organizations to make sure that the work of its own industry meets the highest business standards for efficacy, transparency, and impact. 3Degrees creates a public benefit through its operating policies and by meeting and increasing demand for renewable energy and carbon offsets.

BENEFIT CORPORATION

3Degrees is a benefit corporation under California law, and is certified as a B Corporation ("B Corp") by B Lab, a non-profit organization. 3Degrees chose to become a B Corp because it allowed for better alignment between its practices, mission and values. In 2012 3Degrees registered with the B Lab, completed its Impact Assessment, received approval from its shareholders and Board of Directors, and amended its articles of incorporation to allow for 3Degrees to seek to create a general public benefit in addition to building

shareholder value. In 2014 3Degrees was approved to renew its B Corp certification with the B Lab. There is no organizational connection between 3Degrees and the B Lab, although a shareholder with a minority interest in 3Degrees and a seat on its' Board of Directors has donated a significant amount to the B Lab. The B Lab's Impact Assessment is a measure the B Lab uses to measure the social impact created by corporation. The Impact Assessment is neutral, thorough, and quite mechanical in the way it evaluates companies.



^[1] The 3Degrees shareholders with a beneficial interest greater than 5% are Daniel Kalafatas, M. Hadley Mullin, Stephen McDougal, Jan McDougal, The Alfred McDougal Trust, and American Resources and Biochemical, Inc (Harry Halloran).

II. 3Degrees Activities in 2015

The 3Degrees Board reviews its performance as a B Corp annually, and identifies areas for further focus. 3Degrees is proud of the progress it made in 2015. 3Degrees looks forward to expanding on these achievements as it sets its goals for 2016.

3Degrees measures its public benefit through the B Lab Impact Assessment. The Impact Assessment measures a company's positive social impact on its stakeholders, which include its employees, suppliers, suppliers' employees, shareholders, the environment, its local community, and other parties. In 2015, 3Degrees efforts were focused on 1) building the market for renewable energy, 2) increasing its involvement in its communities and 3) improving the working environment for its employees. 3Degrees accomplished its goals through continuing to build markets for renewable energy and carbon offsets, partnering with a broad set of non-profit organizations in its community through volunteering and philanthropic efforts, and in increasing the benefits available to its employees. This report describes 3Degrees efforts in greater detail.

BUILDING THE MARKET FOR RENEWABLE ENERGY

By building the market for renewable energy and carbon offsets, 3Degrees increased the aggregate environmental benefits derived from those products. RECs reward renewable energy generators with an additional income stream, thereby incentivizing future renewable energy generation. Bringing renewable energy facilities online allows for the displacement of high-polluting fossil fuel resources. Carbon offsets reward developers of projects which reduce greenhouse gas emissions.

3Degrees' renewable energy partnerships with its utility partners enrolled customers who pay a little bit extra each month on their utility bill to specifically support renewable energy projects. As a result of the demand 3Degrees helped create through these utility partnerships, as well as through direct corporate commitments, the company has been able to financially support hundreds of renewable energy projects around the country.

COMMUNITY INVOLVEMENT — DAY OF SERVICE

In 2015, 3Degrees granted employees the opportunity to take eight hours of paid time off annually to volunteer at an environmental non-profit organization of their choice. Employees were free to choose whether to take their day of service individually, or as a part of team efforts. The service day is not counted against an employee's accrued paid time off. Service days were required to benefit the public or its institutions through environmentally-oriented, non-political 501(c)3 charitable organizations which share 3Degrees values. In 2015 the company organized two days of service across its San Francisco, Portland, Richmond and Seattle offices. See Figure A for locations of 3Degrees events.

Individually, 3Degrees employees supported many additional organizations through their volunteer efforts, such as the, and others. All told 3Degrees staff members donated 248 hours (or over six weeks of work), representing a four-fold increase over the hours volunteered in 2014. In 2016, 3Degrees will focus on increasing these numbers across its entire employee base by opening up volunteer opportunities to certain part-time employees, recognizing outstanding volunteers, and organizing quarterly company volunteer events.



San Francisco team helps the Golden Gate National Park replant native coastal plants around the park.



Richmond team helps the Maymont Foundation with weed pulling and mulching.

ORGANIZATION	PARTICIPANTS	HOURS	ACTIVITY
1000 Friends of Oregon	1	6	Photography
5Gyres	8	27.5	Beach Clean Up
City of Talent	1	3	Non-Native Species Plant Removal
Clean Tech Alliance	1	5	Worked fundraising event
Corvallis Environmental Center	1	10	Participated on planning committee.
Corvallis Sustainability Coalition	1	12	Distributed Recycling Information
Earth Corps	2	5	Planning and Trail Restoration
Forest Park Conservancy	10	27.5	Plant Removal from Trails
Golden Gate National Parks	7	23	Planting Native Plants
Harvest Projects	1	1	Team Planning
Linus Pauling Middle School	1	3.5	Set-Up Track Meet Event
Madrone Trail Public Charter Schools	1	10.5	Chaperone at several events
Mark Day School	#	40	Running RFP and selection process for school solar system
Maymont Foundation	2	8.5	Weed pulling
McLane School Trail	1	3	Bulb planning and trail clean up
Northern Arizona University Master's in Climate Science and Solutions Program	1	\$0	Board Advisor on Climate Sciences Masters Program
Oak Hill Elementary	1	2	Planting trees and shrubs on school property
PARC Foundation of Thurston County	1	3	Park Cleanup
Reverb	2	2	Tabling Event
Rogue Climate	1	5	Community Outreach and Committee Planning
Save our Canyons	1	5	Clean up a section of Highway
Sea Shepherd	3	6.9	Beach Clean Up
Social Justice Fund	2	14	Fundraising Event

Figure A

List of organizations 3Degrees employees volunteered time at in 2015.

COMMUNITY INVOLVEMENT – PHILANTHROPY

In 2013, 3Degrees created the *3DGives: YouChoose!* program (“3DGives”). The program, which is managed by a group of employee volunteers, administers a \$7,500 donation fund. The group solicits and approves donation requests for 501(c)3 charitable organizations with a valid taxpayer ID which support 3Degrees commitment to the environment. Donation requests must come from 3Degrees employees working 20 hours per week or more. Funds are not awarded to: religious organizations; political groups; fraternal organizations; individuals; communities outside of the United States; or organizations whose programs discriminate based on race, color, age, sex, religion, national origin, sexual orientation, disability, veteran status or any other characteristic protected by law.

A company match of up to \$50 was also added for qualifying employee donations. All told 16 deserving organizations were supported to the tune of \$7,500.

The following organizations were funded by the *3DGives: YouChoose!* Program in 2015:



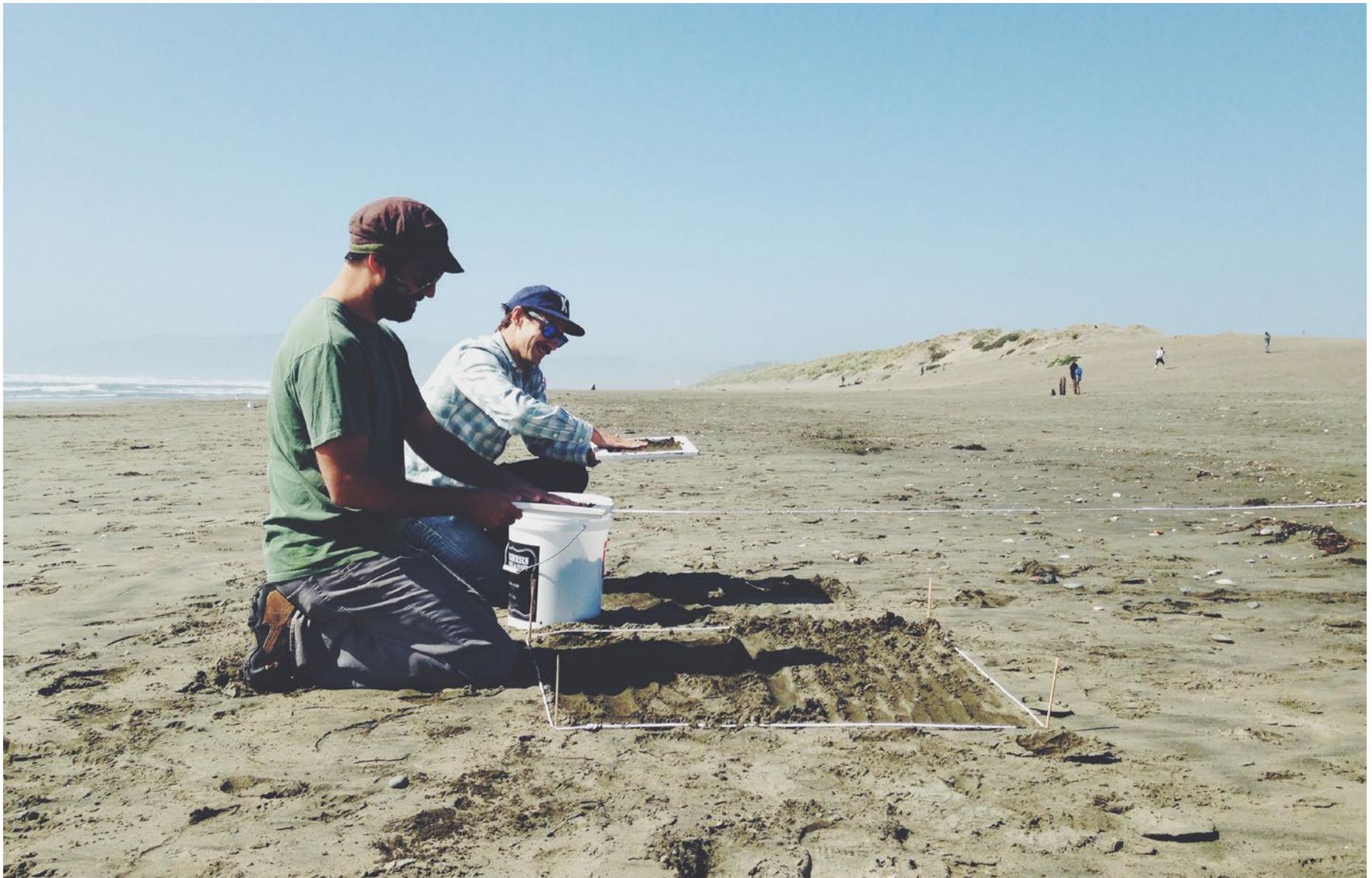
Portland team volunteers with the Forest Park Conservancy to clear hiking trails.

Figure B

ORGANIZATION	MISSION / ACTIVITIES	DONATION	DONATION PURPOSE
Blue Mountain Conservancy www.bluemountainsconservancy.org	They offer stewardship, education, and advice for the conservation, preservation and enhancement of agricultural lands, private forestlands, and natural, scenic and open space lands. Like 3Degees, BMC has an environmentally driven mission with real hands-on approach to success.	\$500.00	BMC has won an Oregon ACE (Advancing Conservation Excellence) grant. This is a matching grant that requires them to raise a specified amount of money by April 30, 2015. These funds are allocated for general capacity and staffing needs helping BMC reaching the next level of growth.
Corvallis Environmental Center www.corvallisenvironmentalcenter.org	<p>On January 1, 2015, Corvallis will begin competing against 51 communities in the United States for the \$5 million Georgetown University Energy Prize. To win the prize, we'll need to drastically reduce our residential and municipal energy in 2015 and 2016.</p> <p>Energize Corvallis, a program of the Corvallis Environmental Center, has a dedicated team of volunteers, support from over a dozen local organizations, and unanimous support from the Corvallis City Council.</p>	\$500.00	While winning the competition comes with a big prize, it doesn't include any start-up funds, which is why they are in need of funds now. The organization is looking for businesses to donate \$500 or \$1,000 each to this effort. With this support, staff and volunteers will help Corvallis residents reduce their home energy use by promoting no- and low-cost solutions, installing free LEDs in homes, providing resources for whole-home efficiency remodels, and connecting property owners to incentives and financing for efficiency upgrades.
Marin School of Environmental Leadership www.these1.org	Engage students and create community leaders through a multi-disciplinary project-based high school education with a focus on environmental issues.	\$500.00	Empower under-served markets, such as schools, cities, and housing agencies, to accomplish their resource efficiency and sustainability goals.

ORGANIZATION	MISSION / ACTIVITIES	DONATION	DONATION PURPOSE
PARC Foundation of Thurston County www.parcfoundation.org	<p>To promote donations for both facilities and programs to serve Thurston County residents in the areas of parks, arts, recreation, and culture.</p> <p>PARC is dedicated to preserving the vital green spaces of our natural surroundings, expanding and supporting works of art and artists in our community, ensuring all children have free access to recreational opportunities, and expanding the rich cultural diversity that is so valued in Thurston County.</p>	\$500.00	<p>The funds were used on April 18th, 2015 from 10am-1pm for a county wide parks cleanup event at 3 different park locations. This is the largest park cleanup event of the year, The plan was to award the school with the most volunteers with a \$500 prize that will go to that school's ASB fund. This is a great way to get the youth involved in the community and the environment!</p> <p>Locations: Wonderwood Park, Lacey Priest Point Park, Olympia Tumwater Historical Park, Tumwater</p>
National Forest Foundation - San Gabriel Mountains National Monument Fund www.nationalforests.org	<p>The National Forest Foundation, chartered by Congress, engages Americans in community-based and national programs that promote the health and public enjoyment of the 193-million-acre National Forest System, and administers private gifts of funds and land for the benefit of the National Forests.</p>	\$500.00	<p>The National Forest Foundation has established a San Gabriel Mountains National Monument Fund to achieve the shared goals of the public and Forest Service regarding the new monument's stewardship, restoration, management, and outreach to the community. The new fund will start with a \$3 million goal.</p>
San Francisco Baykeeper www.baykeeper.org	<p>To protect and enhance the water quality of the San Francisco Bay for the benefit of its ecosystems and human communities.</p>	\$500.00	<p>Every year the Baykeeper does a "Bay Parade." This year's Bay Parade was on May 31. The Bay Parade is a fundraiser and a good natured "race" in which participants, often wearing zany costumes race either on kayaks, swimming, paddleboarding, etc. from the Ferry Building to AT&T Park. After the Parade there is an afterparty on the lawn at South Beach Harbor. The donation would support the Bay Parade directly and the Baykeeper's operations indirectly.</p>
Billings Forge Community Works www.billingsforgeworks.org	<p>Billings Forge Community Works (BFCW) is a driving force for community participation and empowerment in Frog Hollow, CT through promoting access to healthy food; engaging youth; and developing employment opportunities and economically sustainable social enterprises.</p> <p>They develop and operate community gardens and host a farmers market in one of the most economically disadvantaged urban areas in the northeast which gives access to organic, healthy food.</p>	\$250.00	<p>The funds were used to match funds for customers who pay with EBT at the farmers market. It will effectively double the buying power that limited income people have for organic locally grown fresh fruits, vegetables, and meat.</p>
5 Gyres Institute www.5Gyres.org	<p>Eliminate plastic pollution in the world's oceans and watersheds through Education, Scientific Research and Action-Based Solutions. Utilizing research-based findings.</p>	\$50.00	<p>A general donation that can be distributed among their different programs.</p>

ORGANIZATION	MISSION / ACTIVITIES	DONATION	DONATION PURPOSE
Forest Park Conservancy <i>www.forestparkconservancy.org</i>	The Forest Park Conservancy restores and protects Forest Park, Portland's 5,200 acre urban forest. We maintain trails, restore habitat, and inspire community appreciation for our greatest natural treasure.	\$50.00	A general donation that can be distributed among their different programs.
Maymont Foundation <i>www.maymont.org</i>	Maymont was donated by James and Sallie Dooley, who wanted Maymont to be preserved so that new generations could enjoy it as much as they did. The grounds includes natural-setting wildlife habitats, a Children's Farm and a Nature Center as well as Maymont Mansion, gardens and historic artifacts.	\$50.00	A general donation that can be distributed among their different programs.
Sea Shepherd Conservation Society <i>www.seashepherd.org</i>	Their mission is to end the destruction of habitat and slaughter of wildlife in the world's oceans in order to conserve and protect ecosystems and species. By safeguarding the biodiversity of our delicately balanced ocean ecosystems, Sea Shepherd works to ensure their survival for future generations.	\$50.00	A general donation that can be distributed among their different programs.
Blue Sky Fund <i>www.blueskyfund.org</i>	Blue Sky Fund serves school-aged children with a strategic focus on youth from Richmond's urban neighborhoods through after-school, weekend and summer programs. During these outings, students explore the great outdoors and are engaged in their science requirements through hands on experiences in nature (including activities such as hiking, kayaking, camping, etc.).	\$500.00	A general donation that can be distributed among their different programs.
Friends of the Outdoor School <i>www.friendsofoutdoorschool.org</i>	Provide students with a hands-on, field-based Outdoor School program so that students gain an appreciation for natural systems.	\$500.00	This organization helps keep funding alive for a program that is constantly on the chopping blocks in local and state budgets. This program provides every 6th grader with an opportunity learn about natural sciences through a week-long outdoor camp.
Rogue Valley Farm to School <i>www.rvfarm2school.org</i>	Rogue Valley Farm to School educates children about our food system through hands-on farm and garden programs, and by increasing local foods in school meals. They inspire an appreciation of local agriculture that improves the economy and environment of our community and the health of its members.	\$500.00	To support the establishment of sustainable garden programs that are integrated into the school community and support improved health, learning and environmental awareness of the students and their families. To teach about local organic agriculture and nutrition through hands on activities that incorporate math, science, art and writing as well as practical life skills such as cooking, gardening, problem solving, and working together.
Green Empowerment <i>www.greenempowerment.org</i>	Green Empowerment works with local partners around the world to strengthen communities by delivering renewable energy and safe clean water.	\$2,550.00	A general donation that can be distributed among their different programs.



San Francisco team assists 5Gyres in their research efforts by collecting plastic pollution samples at the beach.



WATER

3Degrees recognizes that as climate change continues, fresh water supplies will be diminished. In order to help address increasing water scarcity, 3Degrees offset its water usage in 2014 and again in 2015. 3Degrees accomplished this by estimating the water consumed by its operations and purchasing 219 Water Restoration Credits (“WRC”) from the Bonneville Environmental Foundation. Each WRC represents 1,000 gallons of water restored to critically dewatered rivers and streams through solutions like water conservation, updated management and irrigation systems, and changes to water rights and agreements; all of which contribute to restoring vitality back into the freshwater ecosystems.

3Degrees’ purchase supported the restoration of 253,000 gallons of water back into two sites: Sevenmile Creek located between California and Oregon, and the Sacramento River wetland.



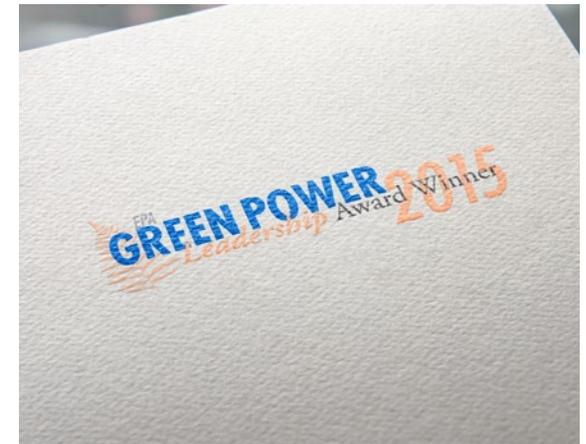
401K MATCHING

3Degrees has administered a direct contribution 401k program for its employees since 2007.

In 2015, 3Degrees offered a company partial match for 2% of employee contributions, which it plans to continue for the foreseeable future.

OVERALL IMPACT ASSESSMENT SCORE

3Degrees initially became a California Benefit Corporation in 2012. 3Degrees increased its B Lab administered Impact Assessment score from 102 in 2013 to 106.7 in 2014. 3Degrees expects that our increased focus on volunteering and employee education from 2015 will result in a small increase in our Impact Assessment score in the Community category during its next B Lab audit.



AWARDS

3Degrees was honored to be recognized for its achievements in 2015. 3Degrees was named a Green Power Supplier of the Year by the U.S. Environmental Protection Agency, the eighth time we have received the prestigious award.

Other awards in 2015 included:

- + San Francisco Bay Area 101 Best and Brightest Companies to Work For
- + Environmental Finance #1 REC Trading Company in North America
- + San Francisco Green Business
- + The Climate Registry Platinum designation

LOOKING AHEAD TO 2016

In 2016 3Degrees will seek to continue and improve upon its efforts in 2015. Specifically, we will:

- + Increase employee training opportunities through the 3DUniversity program, which will offer company sponsored professional development opportunities from industry leading providers.
- + Open up the volunteer program to various part-time employees at satellite office and organize quarterly volunteer days.
- + Recognize employees who go above and beyond in donating their time to volunteer.
- + Build greater awareness of its mission and values through internal programs.

III. Conclusion

3Degrees is proud of the public benefits created through the hard work of its employees and partners in 2015. Through the policy changes enacted by the board of directors in 2016, 3Degrees expects to produce additional public benefits through the way it is governed and treats its employees, its involvement in various communities across the US, and its stewardship of the environment.



Team building activity during a 2015 3Degrees offsite