

ZULOO™

2019

Benefit Report





November 2019

Dear Friends:

It is my pleasure to report on our progress as a benefit corporation over the course of the past year since our last annual benefit report.

INTRODUCTION

ZuLoo's mission is to reimagine the bathroom experience by inventing and investing in new products, new services and new business models. In the process, we want to ensure that everyone in the world has access to clean, safe sanitation.

As a benefit corporation, by acquiring and/or developing cash flowing businesses with a view towards accelerating their growth, and by investing in new technologies and/or delivery channels, we believe it is possible to both generate value and profitability for our investors while making an impact on today's global sanitation crisis.

We believe that private enterprise, technological innovations, and social entrepreneurship pose the best chance to deliver safe and affordable sanitation technologies to the world. Toward this end, we have a goal to follow Patagonia's model of donating the greater of either 5% of our gross sales or 10% of our net profits towards the operating budget of our 501(c)3 non-profit affiliate, ZuLoo Humanitarian Outreach (ZHO) which, in turn, spearheads global initiatives to expand access to affordable and innovative sanitation technologies to some of the world's most poor. Until then, ZHO has operated 100% from donations received from generous corporate donors such as the Sorensen Legacy Foundation, among others.

BACKGROUND

Access to sanitation, water, and hygiene is a human right, and yet about 3 billion people in our world lack access to basic sanitation services, such as latrines or toilets.¹ This causes devastating effects on the health, safety, and well-being of nearly half the people on our planet.

¹ Source: United Nations, Sustainable Development Goal #6, available at <https://www.un.org/sustainabledevelopment/wp-content/uploads/2016/08/6.pdf>

Health: Inadequate sanitation is a leading cause of infectious diseases including typhoid, cholera, and dysentery worldwide. Diarrheal disease is the leading cause of death for children under 5, with nearly 1,000 children dying each day due to sanitation-related complications.²

Safety: Open defecation due to lack of sanitation poses extreme safety risks, particularly for women and girls as they are forced to travel long distances for defecation and menstruation. This includes increased risk of violence such as physical, verbal, and sexual, with affects going beyond physical to long-term psychological damage.³



Well-being: The health effects resulting from lack of sanitation access is a major contributor to impaired cognition and stunting, both of which are permanent conditions beyond childhood. This leads to lower academic and employment opportunities, throwing individuals and societies into generational poverty.

The UN Sustainable Development Goal #6 works to “Ensure availability and sustainable management of water and sanitation for all”, with Target 6.2 aiming to achieve access to equitable and adequate sanitation and hygiene for all and end open defecation, with special attention to women, girls, and other vulnerable populations.

India accounts for 60% of the world’s population practicing open defecation, with over 600 million people lacking access to a toilet.⁴ For this purpose, we have begun our efforts to move the dial on SDG #6 by focusing on building toilets and bore wells in slum communities throughout Hyderabad, India.

² Source: World Health Organization, Health Topics: Sanitation, available at <https://www.who.int/topics/sanitation/en/>

³ Source: BMC Public Health, Health and social impacts of open defecation on women: a systematic review, February 6, 2019, available at <https://bmcpublihealth.biomedcentral.com/articles/10.1186/s12889-019-6423-z>

⁴ Source: World Health Organization, Water Sanitation Hygiene WHO/UNICEF Joint Monitoring Report 2012, available at https://www.who.int/water_sanitation_health/monitoring/jmp2012/fast_facts/en/

OUR PUBLIC BENEFIT EFFORTS AND SOCIAL IMPACT



In 2019, through our 501(c)3 non-profit affiliate, ZuLoo Humanitarian Outreach (ZHO), we have constructed 30 eco-friendly toilet facilities and have an additional 70 toilets currently in process in the Karmik Nagar slum community of Hyderabad, India. Together with our local partner organization, SAPID, a grassroots Indian NGO, we have implemented a process of working with the community to have them identify the most vulnerable families to receive the subsidized toilets, giving first priority to households with high numbers of women and girls, pregnant and lactating women, elderly, and people with disabilities. Upon completion of the 100 toilet facilities, over 400 people will have the dignity and safety of this basic human right.

Additionally, we have constructed two bore wells in the Hyderabad-area slum communities of Nirali Colony and KCR Nagar (with one additional water well currently in process). ZHO and SAPID worked within each of these beneficiary communities for several months before the borewells were inaugurated, gathering contributions from each household to pay for a portion of the borewell in order to create community buy-in. These wells provide safe and sustainable water to over 3,000 slum-dwellers.

CHALLENGES

While ZHO is making great progress in India, on the for-profit side we have recently paused our acquisition strategy due to inflated valuations claimed by most of the acquisition targets with whom we have been in talks or due to other operational, personnel, or fundamental financial issues uncovered during our due diligence of a number of various target companies operating in the toilet and bathroom-related consumer products space.

We continue to have dialogue with other toilet, bathroom, and sanitation-related enterprises, inventors, and brands that may hold future promise as one or more "revenue engines" to help us fulfill our social impact purpose and objectives. However, we have concluded to focus our efforts and available capital for the remainder of 2019 and in 2020 to building our own ZuLoo-branded online store and distribution channel

(tentatively called “ZuLooBox”) which we intend to build an audience of socially-conscious customers who have interest in innovative sanitation-related products which are tied to our social impact mission and the stories of hope being told by ZHO-toilet recipients in India and elsewhere. We also are considering pursuing the acquisition of intellectual property rights to one or more toilet innovations which hold substantial growth potential and adoption in various market verticals. Our ability to pursue these opportunities will be tied to our success in attracting venture or equity capital investment in the coming year.

ASSESSMENT OF OVERALL SOCIAL AND ENVIRONMENTAL PERFORMANCE

This year marked our social impact expansion into Hyderabad, India - focusing on slum communities without proper access to water and sanitation. Our initial phase has been a success given our partnership



between ZHO and our in-country partnerships with grassroots local organizations such as SAPID. Our executive team along with ZHO’s social impact directors conducted an in-country site visit to conduct an observational analyses of the impact of our water and sanitation programs. While there we met with dozens of community members organized into groups to learn both of the heavy and tragic burden of life without access to sanitation as well as the life-changing positive impact our programs are having in the lives of those who need it most. We returned from our trip invigorated to continue to grow our business to spread services that we so easily take for granted.

Our company is currently “green,” with all staff working remotely, and thus emitting minimal carbon emissions.

BENEFIT DIRECTOR

Our designated "benefit officer" and "benefit director" is Melissa Sevy (the undersigned). Correspondence may be directed to me via email at msevy@zuloo.com or via regular mail at 4692 North 300 West, Suite 210, Provo, Utah 84604 USA.

BENEFIT DIRECTOR STATEMENT

As ZuLoo's benefit director, I am of the opinion that the Company has acted in accordance with its general public benefit purpose and/or specific public benefit purpose in all material respects during the period covered by this report. I am also of the opinion that ZuLoo's directors and officers have acted in compliance with Subsections 16-10b-301(1) and 16-10b-303(1), respectively, of the Utah Benefit Corporation Act, as amended.

THIRD PARTY STANDARDS

We have examined the standards published by B Lab (<http://benefitcorp.net/>) and have plans to eventually apply for certification. We believe our board is likely to adopt B Lab as the standard for future reports. Since 2018 we have been active members of the Utah Chapter of the Social Enterprise Alliance (<https://socialenterprise.us/>) which helps us model towards further standards by which to assess our impact and overall social performance.

To our knowledge, there is no connection between the organizations that establish these third-party standards, or their directors, officers, or a holder of 5% or more of the governance interests in such organizations, and ZuLoo or our directors, officers, or a holder of 5% or more of the outstanding shares of ZuLoo, including a financial or governance relationship that might materially affect the credibility of the use of the third-party standard.

BOARD OF DIRECTORS

As of the date of this report, ZuLoo has not dispensed with, or restricted the discretion or powers of, its board of directors.

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We are excited to expand our impact worldwide as we continue to assess the sanitation needs of vulnerable communities, develop and connect with best practice solutions, and deliver these solutions in partnership with trusted in-country partners.

We will endeavor to either post this report on our website or make it available to anyone upon reasonable request; provided, however, we may require them to first sign a non-disclosure agreement in the event we believe, in our sole discretion, confidential information is contained in this report.⁵

If you have questions or concerns regarding this report, please contact me directly.

Thank you, and Warm Regards,

Melissa

Melissa Sevy
Benefit Director



⁵ Please Note: This report is being prepared solely in order to comply with Section 16-10b-401 of the Utah Benefit Corporation Act, as amended, and does not constitute an offer to sell or a solicitation to buy the company's products, services and/or securities. Statements in this report are the sole responsibility and opinion of the named Benefit Director of ZuLoo, Inc., a Utah benefit corporation ("we", "our", "us", "ZuLoo", or the "Company") and do not operate as admissions or statements of material fact by the Company or its officers, directors, or Affiliates. Accordingly, you are hereby cautioned and advised to NOT rely upon this report in making any investment or financial decision regarding the Company or in connection with our securities, offerings, or products or services. This report speaks only as of the date hereof. The Company does not undertake any obligation to update this report.