

SUSTAINABILITY REPORT

2019



We connect people to the power of plants.

Since 1974, we've been passionate about connecting people with the power of plants. Resolving to do this while supporting the needs of our source communities and the planet takes dedication and innovation. We continue to hold ourselves and our suppliers to ever higher standards to create long-term, sustainable solutions for our global supply.



CONTENTS	
Letter from Our CEO	5
Transparency	6
2019 Highlights	8
Measuring Our Footprint	10
Our Global Supply Chain	14
Investing in Community	20
Interview with our Founder	26

LETTER FROM OUR CEO, Blair Kellison

Purpose. It’s an important part of why—in our 45th year—we are the fastest growing tea company in North America, and it’s why I work for this company. Our purpose-driven business strategy is forward-thinking, stakeholder centric, and acts as a guiding light for our expanding impact and profits.

At Traditional Medicinals, we are a plant-powered, purpose-fueled business, intertwining our social impact with consistent financial growth. With that growth often comes growing pains—and we are not immune. The demand for organic, ethically traded herbs is greater than ever. With our standards for quality, this is especially challenging. Our response has been to increase our investments in our sourcing communities to secure a sustainable supply chain of high-quality, ethically-sourced herbs.

Climate change also impacts our sourcing communities. We can’t understate the value of sustainable practices like organic farming, ethical wild collection, fair labor standards, and the work done by the Traditional Medicinals Foundation to support resilient supply communities in these challenging times.

Throughout the years, our purpose has not changed; we connect people to the power of plants, sourcing and formulating herbal wellness from around the world.

We rely on independent certification organizations to demonstrate our corporate commitment to social business. From the fields where our herbs grow to our manufacturing facility and offices in Sonoma County, CA, we prioritize and measure our environmental, social and economic impact.

Transparency



We are a certified **B-Corporation**®. This means that we have met the high standards established by the non-profit B Lab. Utilizing independent audits for social and environmental performance, we measure with full public transparency.

As a **California Benefit Corporation**, with purpose built into our by-laws, we use these measurements to improve our impact on society and the environment. [Click here](#) for our 2019 Benefit Corporation Report.



We are proud to be certified by **California Certified Organic Farmers**®. In their work for a healthy, organic world, CCOF has been a critical player in the development of certification processes and organic standards since 1973.



Our products are certified to the **USDA National Organic Program's** standards which specify practices and restrictions to protect biodiversity, farmworkers, and consumers from dangerous synthetic pesticides, fertilizers, artificial process agents, and genetically modified organisms (GMOs).



We work to build supply networks for herbs that not only meet medicinal and organic quality but also meet **Fair Trade Certified**™ standards. With a rigorous audit system that tracks ingredients from farm to finished product, their standards include labor, cost, and price protections. Fair premiums paid in addition to the purchase price help to provide equitable market access for developing agricultural producers for our cultivated ingredients like Chamomile, Ginger, and Hibiscus.



The standards for **FairWild**® combine fair labor and producer protections with ecosystem resource assessment and conservation management plans to support the sustainable collection of ingredients like Licorice Root, Raspberry Leaf, and Elder Flower.



All of our herbal tea products carry the **Non-GMO Project** verification. This seal of approval program uses Organic and other sustainable food standards to verify that Genetically Modified Organisms are excluded from the cultivation, ingredients, and processing of our labeled products.



Our production facility is a certified **California Green Business**™ which requires that we follow guidelines for resource conservation, operational sustainability, non-toxic cleaning, local purchasing, and other green business practices.

2019 HIGHLIGHTS



SOURCING



99.7%
Organic Herb
Volume

↑ **+ .6%**
since 2018

2.6
million lbs
Organic Herbs
Purchased

↑ **+ 19.1%**
since 2018

751,000 lbs
Fair trade certified
herb purchases

↑ **+ 22%**
since 2018

Fair trade creates an opportunity to combat poverty through consumer choices. Third-party audited producers implement labor standards designed to drive more equitable practices.



\$237,600
est. fair trade
premium
contributions

↑ **+ 8%**
since 2018

Fair trade premium: amount paid to farmers and collectors in addition to the price paid for crops, democratically governed by producers for the economic, social, and ecological wellbeing of their communities. This premium estimate is a reflection of supplier raw material reporting and planned volumes.

81
USDA organic
Herbal Wellness
Products



126
herbal ingredients
from Alfalfa to Yarrow



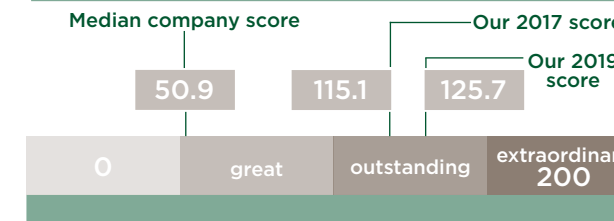
396 lbs
of honey harvested
from **792**
million flowers

Over 200k bees helped to create the honey in Urban Moonshine syrups.

COMMUNITY



Data Snapshot—
Our B Corp Impact Score



governance
17.9

workers
21.6

community
41.1

environment
36.3

customers
8.7

Certified
B
Corporation
**Best For
The World
2019 Overall
Honoree**

**Best Place
to Work
North Bay
Business Journal**

Traditional Medicinals,
Sonoma County,
2019.



93.3%
Family Living
Wage

We are excited to be close to 100% Family Living Wage. We are working across all our sites to raise all our employees wages above the MIT standard.

\$1.76
million
social business



We invest in our community, both local and global. This fund for 2019 included: donations to nonprofits, work in sourcing communities, licensing for voluntary standards (organic, fair, and non-GMO) as well as fair premiums paid to support socio-economic growth in sourcing communities.

OPERATIONS



208
tons
recycling
Mixed, Plastic
and Cardboard



104 tons of baled cardboard sold into Post-Consumer Waste recycling streams.



86%
waste diversion
from landfills

↑ **+ 4%**
since 2018

Our highest diversion rate yet measured, bringing us within 4% of our goal of 90% for Zero Waste Certification.

100%
direct carbon
offsets

We offset 750 metric tons of our company's direct carbon emissions (Scopes 1, 2 and more).



100%
local renewable
power

Traditional Medicinals and Urban Moonshine facilities are on 100% renewable electricity. Additionally, we offset any gas usage with carbon offsets, making our energy footprint 100% renewable.





We measure more.
So we can create less.

We take our responsibility to ecosystem health seriously, holding high standards for environmental sustainability and operational efficiency. We will continue to invest in technology and innovation in ways that serve people and planet.

Measuring Our Footprint

In 2019 we bought 535 metric tons of carbon credits from our longtime green tea supplier Ambootia Estates in Darjeeling, India. With that purchase, we offset not only scope 1 and scope 2 emissions of all our direct energy use but also our material waste, and our business travel. With strong organic and Biodynamic farming practices in place, Ambootia turns their farm outputs—cow manure and green clippings—into active soil inputs for healthy soil biomes. These efforts make the production of their green tea leaf carbon-negative, capturing more carbon than they emit while growing and processing it.

We offset 100% of our scope 1 and scope 2 emissions through carbon sequestration credits within our supply chain.

In addition to offering incentives to our employees who carpool or commute via public transit, by bike or foot, we also offset their estimated commuting footprint. In 2019 we purchased 215 metric tons of carbon credits from NativeEnergy, a fellow B Corp and Best for the World Honoree, whose HelpBuild carbon offsets support the Jagers Ranch Grasslands Conservation by the Southern Prairie Land Trust in southeastern Colorado. We are proud to support the preservation of these vital wild American prairies as untouched ecosystems.

In 2021 we will expand the evaluation of our carbon footprint, looking at emissions beyond our direct control. We will explore more of our scope 3 emissions (like the emissions generated from sourcing our herbs), and end of life emissions. We will use this information to focus our future reduction efforts.

SCOPE 1 EMISSIONS

are those greenhouse gases resulting from fuel combustion of equipment we own or operate—like vehicles or natural gas heating systems.

SCOPE 2 EMISSIONS

refer to those resulting from the use of electricity. Renewable energy generates minimal Scope 2 emissions.

SCOPE 3 EMISSIONS

come from the creation of all the other goods and services that we use: ingredients and packaging, transportation and distribution, waste management, travel and commuting, and use and disposal of our products.

***Opposite:** We offset our projected employee commuting footprint with NativeEnergy, a Vermont B Corp that funds new carbon sequestration projects. Together, we helped conserve 215 metric tons of carbon in the southern prairies of Colorado.*



Reducing Waste

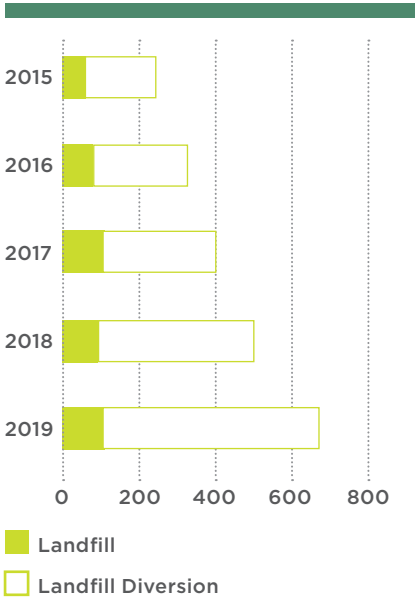
The planet’s resources are finite. Our best choice is always to consume less material. Whether it’s the materials in our products or packaging, waste generated at our facilities or in our supply chain, or water used for operations or farming, our commitment remains the same: to protect and conserve these precious resources.

Managing the materials we use to make our products is a critical part of our environmental and local responsibility. We set a goal to achieve Zero Waste certification for our factory in 2016, and we are now only 4% away from that goal. We are making progress measuring and improving our practices, even as our total material usage and volume to landfill grows with the demand for our herbal wellness products.

Managing our Waste

In 2019 we achieved 86% waste diversion from the landfill. We continue to improve our overall reduction measurement—this year we saved 212 tons of cardboard with our lighter shipping box. When we had a packaging change in 2019 we were able to recycle 15 tons of our packaging inventory. We were also able to move our composting off site—which will give us the ability to compost a larger volume at an industrial level.

Materials Waste and Landfill Diversion



Energy Use

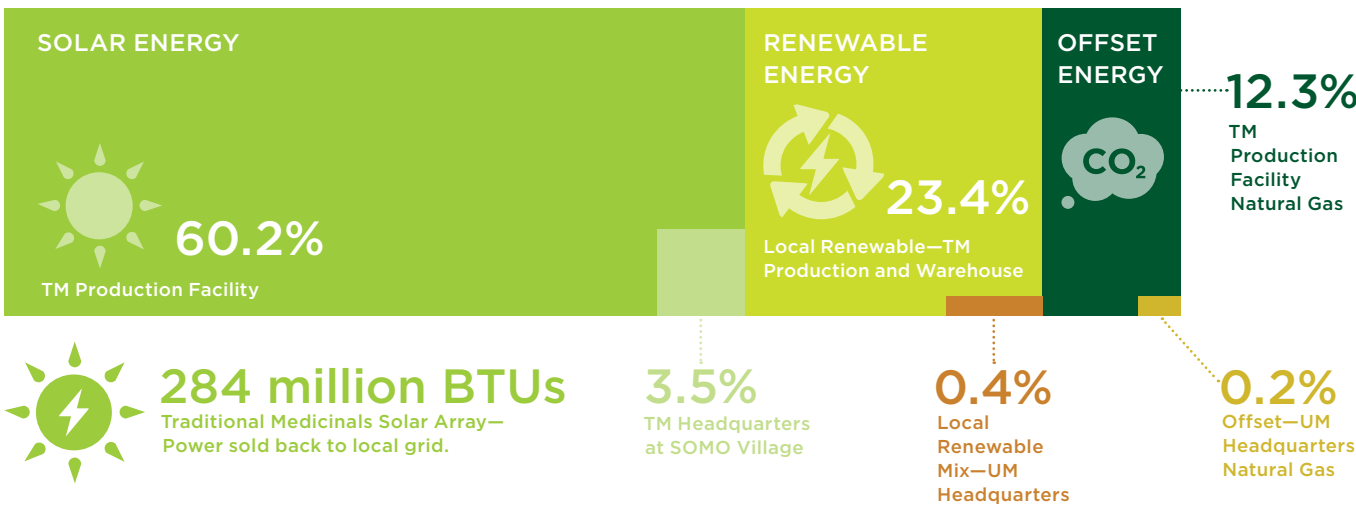
100% renewable power

As we have grown, we have continued to invest in renewable power, starting with our facilities. In 2008 we put 1,450 solar panels on our Sebastopol plant roof, making it the first solar-powered tea factory in the country. In 2014, when community clean power organizations began offering improved renewable power options in our area, we signed up—achieving 100 percent local, renewable power using geothermal and solar plants. In 2017 when we needed a new corporate headquarters we chose one with a solar array.

How we’re staying at 100%.

To get to—and stay at—100 percent renewable energy for the electricity at our facilities, we continue to streamline our energy use in all areas. Guided by our certification as a California Green Business™ we continue to evaluate our energy use, improving our lighting and computer use in 2019.

And because the cleanest energy is the energy you never use, we continue to focus on reducing our impact on the planet, planning for upgrades we can make to our facilities to reduce our consumption long term.



Our Ambition
Support the planet that grows our herbs.
Support the people growing and
collecting our herbs.

Our Global Supply Chain

From the remote, FairWild-certified licorice plains

of southern Kazakhstan to picturesque Trout Lake, Washington, with some of the world's best Echinacea, we source over 100 botanical ingredients from 35 countries around the world.

The Planet

As we grow, we face increasing disruptions in our global supply chain. Climate changes are impacting growing seasons and production, and we continue to face challenges in sourcing the quality of herbs required for our herbal wellness products.

With our standards for quality, we can't rely on the open market to source herbs. Instead, we must act strategically.

We work hand-in-hand with our partners to plan cultivation and collection—years in advance. This work, while difficult, fosters strong partnerships that create opportunities to build thriving herbal communities.

The People

When we engage with a new herb sourcing community, we consider everything, from the plants and collecting methods to the needs of the people and the surrounding ecosystems.

The Traditional Medicinals Foundation continues to build relationships and programs that help farmers and collectors grow sustainable livelihoods.



Top: Echinacea at Trout Lake.
Middle: FairWild certified licorice roots in southern Kazakhstan.
Bottom: Licorice flowers.

More than a Label

Organic certification is our baseline for environmental sustainability, biodiversity, and transparency. All of these factors are vital to support the ecosystems of our source communities and the quality of the herbs they produce.

We are proud of the work we have done to reach 99.7% organic herbs in our products. Despite the careful balancing of quality and conditions required to sustainably source these organic ingredients, we continue to work towards our goal of organic certification for 100% of our products.

Organic Botanicals Purchased

In 2019 we purchased 2.6 million pounds of certified organic herbs, 99.7% by volume, up almost 426k lbs (19.1%) from 2018, and double the amount we had in 2013.



In 2019 we were able to achieve 100% organic sourcing for Safflower and Northern Schisandra Berry. We continue to focus on exploring options for our few remaining conventional ingredients.

Of our Traditional Medicinals herbal wellness products in the United States, 97.7% of all Traditional Medicinals and Urban Moonshine products carry USDA Organic certification.

The significant growth of our organic business model is built on long term relationships with farmers and suppliers. With a focus on the long term we help support their management of seasonal crop rotations, organic system plans, and quality programs.

The future of our organic business model, and indeed the future of our food systems for the planet, compels us to go beyond the requirements of organic certification. We support farmers, collectors, and suppliers, who are making a positive impact on our ecosystems and climate by using regenerative and Biodynamic agriculture practices.



GLOBAL SUPPLY CHAIN



ORGANIC AGRICULTURE LOOKS LIKE:

When we purchase organically certified herbs, we know we are supporting strong practices for sustainability. These practices follow key principles that serve farmers and collectors, our customers, and for our planet.

Healthy, Carbon-Rich Soils

Organic systems increase Soil Organic Matter, building soil health.

Carbon Sequestration

Organic farms have a higher potential for long-term carbon storage.

Biodiversity and Ecosystem Preservation

Organic systems create diversified landscapes, supporting pollinator health, and providing predators for potential crop pests.

Reducing Harm

Organic systems rely on ecological pest management, eliminating harmful chemicals from sourcing ecosystems.

Water Conservation

Crop rotations and mulching increase soil's capacity to store moisture.

Organic is Non-GMO

No GMO seeds, feed, or ingredients allowed.

Farmworker Health

Organic systems protect farmworkers from exposure to synthetic pesticides.

*Organic Farming Research Foundation

Top: Echinacea at Trout Lake.

Opposite: Schisandra berries.

Fair labor and trade practice is an essential part of our founding purpose

PANDA-FRIENDLY CERTIFICATION

In October 2018, Traditional Medicinals was honored by the World Wildlife Fund for Nature (WWF-China) for helping to establish the world’s first panda-friendly certification. While our herbs with organic and FairWild® certifications attest to care for the well-being of our herb communities, this is the first certification to advocate for and protect the long-term survival of the giant panda bear of southern China, where we source wild southern Schisandra berry. TM is the first company to sell a product bearing the panda-friendly logo.



GLOBAL SUPPLY CHAIN



Ethical Trade Engagement

We value our farmer and collector organizations that grow and harvest using fair trade and FairWild standards.

Fair trade is an internationally recognized gold standard for social responsibility. Every purchase made through the fair trade system returns a premium directly to the workers’ communities for projects like: building maternal health clinics, improving worker health and safety conditions, providing access to training and education, and installing clean gas-powered cooking stoves and solar energy lamps.

For millions of farmers around the world, fair trade means thriving communities, kids in school, and a healthy environment.

In 2019, increasing our supply of high volume herbs, like Chamomile, Ginger, and Spearmint, meant diversifying into qualified sources currently outside of the fair system. We will continue to advocate for fair certification in our supply chains. Much of our volume is still fair certified, but in 2018, we made the decision to remove the Fair Trade Certified logo from eight products while we support and source new supply networks.

Wild Ecosystem Conservation

The demand for wild plant ingredients is growing. Ongoing development throughout the world continues to jeopardize the ecosystems of wild-collected plants and threaten the livelihood of the communities who harvest them. Conventional wild collection often leads to over-harvesting, which impacts plant regrowth and the regenerative vitality of the collection area.

Under FairWild certification, collectors are trained and incentivized to leave some of the plant in the ground to grow for next year. Acknowledging the extra effort and time that it takes to harvest according to FairWild standards, individual FairWild collectors are paid a premium price. An additional premium on top of that price is paid by Traditional Medicinals to the collectors’ cooperative, to be spent on social and environmental projects for the local community.

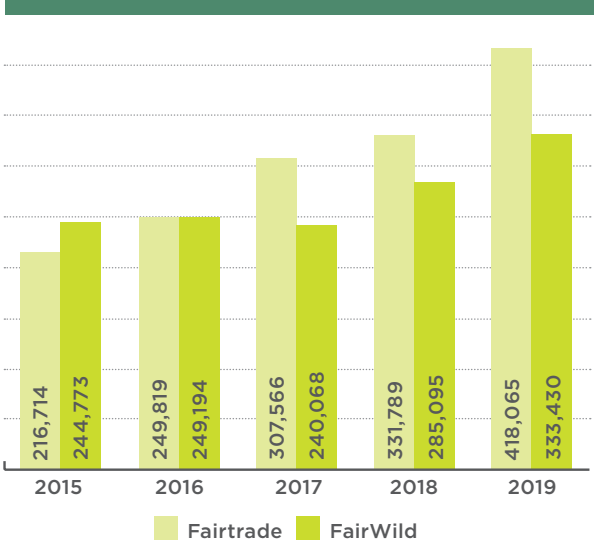
In these ways, the FairWild standard takes the entire ecosystem into account, scientifically assessing how to balance harvest with regeneration, and empowers collectors and communities as active agents in the conservation of their forests and fields.

To protect these vital wild plant species and support the deeply-rooted traditions of the source communities, we advocate for the use of FairWild standards in our wild sourcing relationships.



In Kazakhstan, the community who has supplied us with high-quality organic licorice root for over a decade collectively chose to invest their earned premiums in a house for their longest-serving collector.

Fairtrade and FairWild Herb Purchases 2015-2019





Investing in Community

It's not just a smart business practice. It's the right thing to do.

Our philosophy took root in our early days when Traditional Medicinals' Co-Founder Drake Sadler built the business on the foundation of right livelihood—ethical practices and equitable relationships.

Five decades later, our purpose continues to compel us to engage with and support the communities we are connected to; our sourcing communities, trade partners, non-profits, employees and shareholders. We've embedded this purpose into our by-laws, and our operating principles, incorporating international sustainability standards like USDA Organic, Fairtrade International Certification, and B Corp Certification.



Quality
Respect
Innovation
Collaboration
Humility
Sustainability



Darrick Blinoff, Sales



Josef Brinckmann,
Research Fellow



Diane Ennis, Accounting

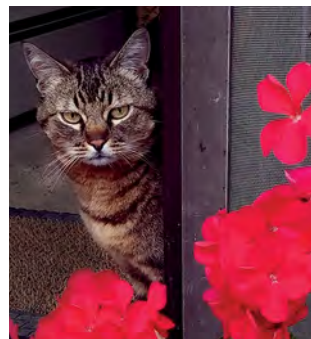
Values in Action

Our core company values are displayed in our headquarters on the Janine Levijari Values in Action Award Wall. Each year employees who most represent those values are added to the wall. In 2019 we added the following individuals:

For the past three decades, **Darrick Blinoff** has been a sales executive and advocate for Traditional Medicinals. His work has advanced the availability of herbal medicine in North America, placing our herbal wellness products in countless stores, and collaborating with retailers and distributors nationwide, building friendships and successful partnerships along the way. His enthusiasm, knowledge, and passion have only increased over the years and we are honored to stand on the shoulders of his work.

Josef Brinckmann was honored with the Values Award for his work helping to establish the Panda-Friendly certification. Over a decade ago, he started working with villages harvesting Schisandra berries in China—this work protected the ecosystem of the endangered, now vulnerable, native panda bears. Working in the medicinal plant sector since 1979, Josef is our Research Fellow. Serving on numerous boards, including the FairWild Foundation, in 2016 he was also conferred an honorary degree from the California Institute of Integral Studies.

According to our accounting department, in her 13.5 years with us, **Diane Ennis** processed 84,134 invoices, with a consistent focus on accuracy. In 2019 alone she tripled her productivity. Throughout her tenure with Traditional Medicinals, Diane continually represented our core values from Quality to Sustainability and beyond. She was a core member of the team that applied for our B Corp certification and she also befriended and eventually adopted Traditional Medicinals unofficial mascot, Tea-Grrr the Cat. Diane, her husband Paul, and Tea-Grrr are enjoying her retirement in Sonoma County.



Our Team

As we've grown from a small family business to a multi-shareholder owned corporation with over 200 employees in Sonoma County across the USA and Canada, we've learned that our skilled, passionate, and committed team is our greatest asset. Our 2019 Benefit Report discusses our worker performance metrics in more detail, but we are pleased to share a few highlights:

Health Matters

The health and wellbeing of our staff matters, which is why we offer affordable healthcare options for our employees and their dependents. We also provide up to twelve weeks of paid parental leave for parents to spend time with their new family.

Education

In addition to providing subsidies for employees to build new skills, our staff,

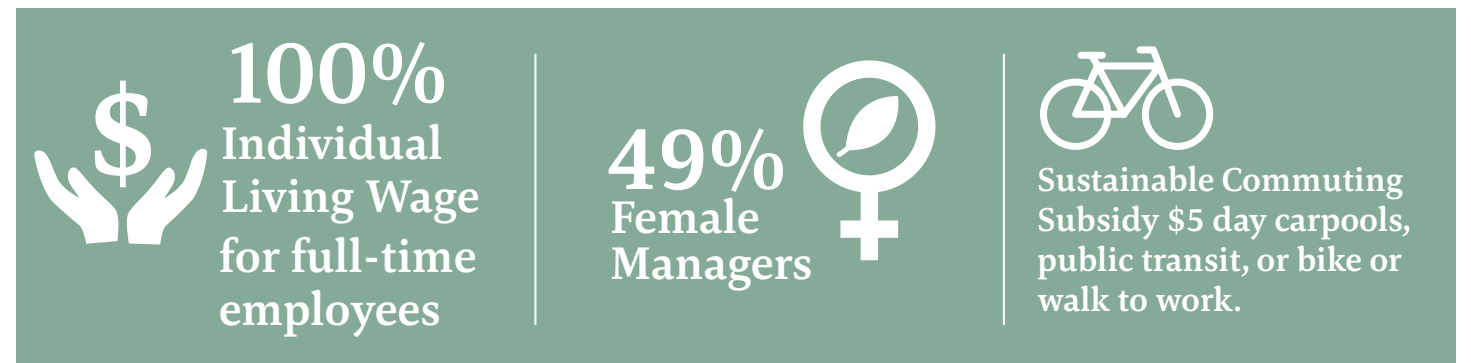
Herbalists, and International Development specialists regularly offer Plant and Planet Education sessions—sharing herbal education and impact learning.

Best of the Best

Not only were we recognized as B-Corp's Best of the World, but we were also proud to be included as one of "The Best Places to Work" by The North Bay Business Journal. We love our community and are proud to support local families, the economy, and the environment through our sustainable business decisions.

We Are Growing

We have continued to build our organization to support the demand for our herbal wellness products. This year we filled over 60 positions but also saw our retention rate drop. We are continually working to build a strong team that can deliver plant power to your door.



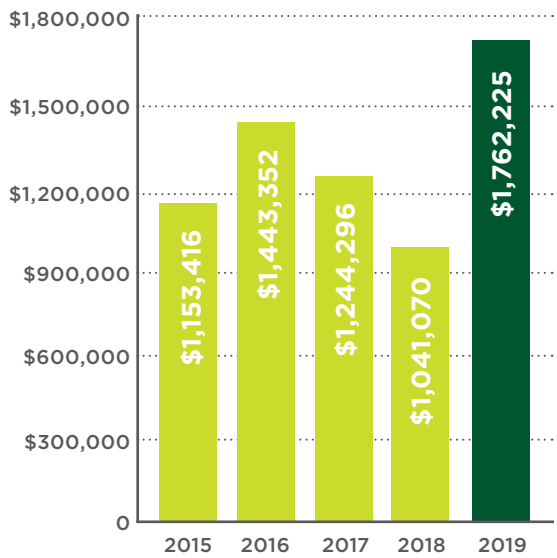
Working Together

As a purpose-driven business, we not only invest in ingredient quality, product certifications, and supply chain engagement, but we also rely on the good work of nonprofit and charitable organizations to work with communities at home and around the world.

Over the last five years, we’ve invested over \$6.6 million in our social business model:

- Support for the Traditional Medicinals Foundation, WomenServe, and Whole Foods’ Whole Planet Foundation and other local and global NGOs.
- Certification, inspection, and fair premium costs for USDA Organic, Fairtrade International (FLO), Fair Trade USA, and FairWild.
- Sustainability Department reporting and carbon offsets.

Social Business Investment



In 2019, our social business investment totaled \$1.76mm, up \$721k, reflecting key increases in funding for the Traditional Medicinals Foundation.

COMMUNITY

Community has always been at the core of who we are.

Traditional Medicinals collaborates with the Traditional Medicinals Foundation and WomenServe in our supply community to address difficult social and environmental challenges. By investing in the places where we live and work, we hope to help create more sustainable communities for future generations.



554
Rainwater catchment tanks provide water security

Senna
India
WomenServe

920
Farming family members with access to clean drinking water

Abacá
Philippines
Traditional Medicinals Foundation

447
Liters of honey harvested/sold supports 56 farm families

Lemon Verbena
Paraguay
Traditional Medicinals Foundation

2,465
Students in sourcing areas provided access to education

Senna
Rajasthan, India
WomenServe

25
Local and global NGOs and B-Corps that we support with financial and in kind donations



INTERVIEW WITH DRAKE SADLER, Co-Founder

On the principles of social/ecological equity and purpose-led business.

Q: Since the company’s founding, Right Livelihood has been a guide for creating a purpose-led business. What does that mean to you?

A: First, to be clear, the company found me. Traditional Medicinals’ was an organization whose time had come and I was called to serve its purpose...a responsibility gratefully shared by many. In the sixties I was a student of Right Livelihood, advocating for the practice of doing no harm (or as little as possible) while elevating meaningful purpose through daily work. That discipline required an awareness of the consequences of action and the critical necessity for social equity and ecological balance.

Q: How does TM find that equity and balance in its’ supply chain?

A: It’s complicated, we certainly don’t have it all figured out, and we have a tremendous amount of work ahead. It is however, the right challenge as we aspire to reinvent a centuries-old system of international commerce that has the potential to improve lives and landscapes across the globe. Fair equity strategies, organic certification, land conservation and direct supply community engagement are important stepping stones on the path to supply chain sustainability. In order to be constantly examining our impact on these plant environments and the people who farm and collect them, we must have access, transparency, and visibility into their growing

and collecting practices, and the decision making leadership (culture, gender, caste) of the beneficiary supply communities. This is why we advocate for and support Fair certification processes that provide supply chain equity and transparency.

We must also continually research and support internal organizational initiatives to decrease our footprint, improve our packaging, focus on zero waste, reduce our emissions, and enhance productivity through the use of fewer resources.

Q: What does working for a purpose-led business look like?

A: Well, it’s just that, challenging yet deeply rewarding work. It requires a daily effort from all the stakeholders. It takes skilled and dedicated employees who believe in the organization’s purpose and are aligned and inspired by the social and environmental good they create working together. Most people are hungry for tangible good in their professions, and many who come to work at Traditional Medicinals find it...and they

stay. Just like me so many decades ago, they respond to the call to service and they are fulfilled by it.

Q: Looking back at the last 45 years—what key lessons have you learned?

A: Virtue is always victorious over vice, and Right always prevails...just maybe not as quickly as we can envision. Meaningful and lasting change takes time, as we must change to meet the challenges of the future. Possibly it’s a function of aging and staying committed to one thing for a lifetime...over the course of time I have been witness to significant evolution through business. Of course many of the challenges before us now seem almost insurmountable, yet I have great confidence in our capacity as caring human beings. I see examples of this caring human spirit every day in my work at Traditional Medicinals, and I’m energized to keep showing up for all that’s Right. And just maybe that’s why we’re here in this beautiful yet fragile place, just so we can keep showing up, doing our best and evolving.





Traditional Medicinals

4515 Ross Road
Sebastopol, CA 95472

Visit www.traditionalmedicinals.com to learn more.



Like us on Facebook, and follow us on Pinterest,
Instagram, and Twitter — **#tradmed**

©2020 Traditional Medicinals