

Supply Chain and Social Business Investments

In FY 2020, TM classified \$1.95 MM of our investments as social business, broken down as follows:

\$515,000 helped fund work in Traditional Medicinals source communities, led by our nonprofit partners the Traditional Medicinals Foundation and WomenServe. In FY20, we converted all TMF employees to TM employees, forming a new “Social Responsibility” department consisting of the former Supply Chain Investment, Sustainability, Global Community Investment and Contributions departments.

While we continue our work investing in our farmers and collectors around the world, we will now do that as TM employees. The Foundation will focus on expanding on programs in Sonoma County, creating strong nonprofit partnerships and volunteer opportunities for employees. In FY20 over \$50,000 in local grants were distributed via the Traditional Medicinals Foundation.

Selected Source Community Project Highlights

Georgia: Dairy cattle project increased household income and nutritional diversity. In addition to receiving livestock, collectors were trained in cattle husbandry, food safety and hygiene, and traditional Georgian cheese making in communities that provide Rosehips and Licorice to TM.

Egypt: During the fiscal, TM provided two Medical Caravan events and series of health awareness and economic empowerment trainings. Doctors conducted 952 checkups and over 200 community members regularly attended family health awareness workshops. Additionally, 70 youth participated in health awareness activities, and more than 45 women completed training on opening small businesses.

Paraguay: Engaged in construction of 30 sanitation facilities for individual farmers’ families, reaching 150 community members with access to health and hygiene accommodations. This community also provides Orange peels to TM, though from a different source than FY19’s Paraguayan beekeeping project.

TM tea drinkers contributed \$253,872 in premium payments to fair and organic producers. Over 697,000 pounds of Fair Trade or FairWild herbs were purchased, funding worker, farmer, and collector-led community benefit investments.

Voluntary sustainability standards like USDA Organic, Fair Trade, and FairWild supported TM products with their logo for a total \$155,174 as we communicate our sustainability. The growth of our labeled product sales directly contributes to the organizations helping reach and activate purposeful consumers like ours.

TM allocated \$144,358 for Global Community investments ([Whole Foods Supplier Alliance](#), American Herbal Products Association, FairWild Foundation) and **\$480,319 for our new Social Responsibility department, including all programming and reporting.**

Sustainability

In 2019, TM was recognized as [Best For The World by B Lab](#) for our overall Impact Assessment performance, among the top 10% of global performers, with a score of 125.7. TM submits an annual self-assessment, which is audited by B Lab every three years. Our self-assessed score in FY20 was 142.3; a validated score will be available mid-2021.

Organic Agriculture and Wild Collection

TM is proud to support biodiversity through its sourcing practices. In FY20, the company procured 2.98 million pounds of certified organic herbs, an increase of 14% by volume from FY19 and more than double 2013's volume. This volume represents 99.6% as a percentage of purchased herbs.

Fair Assessment

Fair labor and trade help producers, consumers, and brands build ethical commerce relationships for food, textiles, and other products around the world. Participation in Fair systems ensure a minimum wage and human rights standards for farmers and collectors. During the fiscal year, we completed an assessment of our historic and current level of engagement with fair purchasing and labeling. Based on our findings, we are convening a working group to determine an approach for FY22 and beyond. This is important as we seek to certify the sustainability of our supply chain and activate our purpose.

Carbon Offsets

TM and UM run on 100% local renewable power and balance our carbon footprint at home and in source ecosystems.

In FY20, we purchased 1,250MT of carbon offsets, fully offsetting emissions generated in TM's production process (scopes 1 and 2), and partially offsetting those generated through our upstream and downstream supply chain. Initiatives supported included three forestry conservation projects and the restoration of peatland ecosystems.

Zero Waste: Reduce, Reuse, Recycle, Compost, and Landfill

We continued towards our Zero Waste Certification Goal for the Sebastopol factory, increasing our waste diversion rate from 86% to 89.6%, nearing our initial goal of 90% required for certification. Key initiatives included:

- Expanding employee onboarding to incorporate zero waste training, upgrading the waste station flow and signage, and training authorized company buyers on our environmentally preferred purchasing policies
- Key Diversion Improvements – Paper Towel Composting; Scrap Eachie Rework
- Completing an annual waste audit and preparing credit documentation for our certification application in early 2021

Materiality

During the fiscal year, TM conducted a materiality study involving participants from 5 stakeholder groups, including executives, board members, investors, customers, suppliers, sustainability agencies, nonprofits, and others. The study considered eleven major areas of impact, with sub-aspects integral to company operations. This information, along with climate planning, expanding our scope 3 footprint, and packaging assessments, will form the basis for our 2030 sustainability strategy which is currently in development.

Compostable Overwrap

During the FY20 fiscal year, a cross-functional team was formed to address the one component of tea packaging that is not sustainable – the overwrap. Working with an existing vendor, we began organoleptic testing, microbiology testing, flavor testing, runability testing and stability testing on four products. Initial results are favorable, with additional tests currently being conducted. We hope to have preliminary SKUs in market by the end of FY21.