



Organically Grown Company 2008 Annual Sustainability Report

By Natalie Reitman-White, Sustainability Manager

In this report, we will share with you steps we have taken, results we achieved, as well as challenges we encountered in the past year in trying to become “a leading sustainable organization”. All of us at OGC are energized by this quest. It motivates us to be deliberate and thoughtful about how we manage every aspect of our business. Thank you for supporting our efforts.

Josh Hinerfeld, CEO

At Organically Grown Company, our core values are:

- HEALTH. Nurture the overall health of the workplace, community, food supply, soil and planet.
- INTEGRITY. Adhere to an ethic of honestly representing our products and services, our intentions as a business enterprise and our engagement in important community matters.
- PARTNERSHIPS. Maintain positive long-term relationships that are built on trust with people and organizations across the spectrum of food production and consumption. We are all interdependent.
- SUSTAINABILITY. Embrace the challenge of creating a more sustainable business model that distributes organically grown food in accordance with the principles of “good, clean, and fair”.

I. Why does OGC care about being more sustainable?

At Organically Grown Company (“OGC”), we recognize that our responsibilities extend beyond the organic food products we distribute to the whole supply chain from production to consumption. We are committed to working with our growers, customers and other trade partners to bring about a transition toward more sustainable food system. This commitment informs our decision-making, planning processes and how we conduct our daily business. We believe that doing so honors our interdependence with others in the industry and community at large.

So, what do we mean by “sustainability” and “sustainable food”? From a human-centric point of view, this could be understood as “protecting our options” so that humans can live and work in ways that can be maintained for generations. This means that we cannot degrade the earth’s life-support systems and that we must find ways to ensure that resources are used fairly and efficiently to meet the basic needs of people world-wide.

Here is a definition that we find appealing: *“To achieve sustainability we must ... radically increase productivity in the use of natural resources, shift to biologically inspired production methods and materials, move toward service-and-flow business model and reinvest in natural capital resources.”* - Paul Hawkin and Emory Lovins, *Natural Capitalism*

II. Our Journey: OGC Annual Sustainability Planning Process

In 2006, Organically Grown Company established an annual planning cycle to identify what sustainability initiatives we will pursue, how specific projects will be designed, implemented and funded. Each summer, we conduct annual sustainability trainings with all new employees. In the early fall, we assemble an employee-led Sustainability Steering Committee to conduct an annual audit of our business and develop new sustainability projects for the following year. Our Management Team next evaluates and integrates selected sustainability projects into our annual operating plan. With the start of the New Year we launch the new projects.

2008 Progress Report

Annual All-Employee Sustainability Trainings

In July 2008, 53 staff attended the OGC Sustainability Orientation which included presentations from our Management Team and an “Introduction to the Natural Step Framework”. Over the past two years, 182 staff, 5 grower-owners and Board members have participated in the sustainability training sessions.

OGC Sustainability Steering Committee

In August 2008, a 12-member Sustainability Steering Committee comprised of at least one representative from each facility and functional department of OGC began meeting periodically. The committee met for two months to: 1) evaluate company sustainability efforts and benchmark progress, 2) revisit OGC’s long-term sustainability breakthrough goals and 3) identify initiatives that will incorporate into our 2009 Annual Operating Plan.

We are especially grateful to the following individuals who served on the 2008 Steering Committee:

Eugene: Scott Kirkpatrick (*Sales and Marketing*); Jasper Vasilinda (*Operations*), Natalie Reitman-White (*Sustainability Manager*).

Portland: Ashleigh Morgan and Patrick Jesse (*Finance*); Chris Schuster (*Purchasing and Inventory Management*); Dusty Sutton, Todd Looney, Tyson Haworth (*Operations*); Will Gerome and Sharon Leckey (*Sales and Marketing*); Nick Addison (*Information Technology*).

Annual Audit & SCORE Results

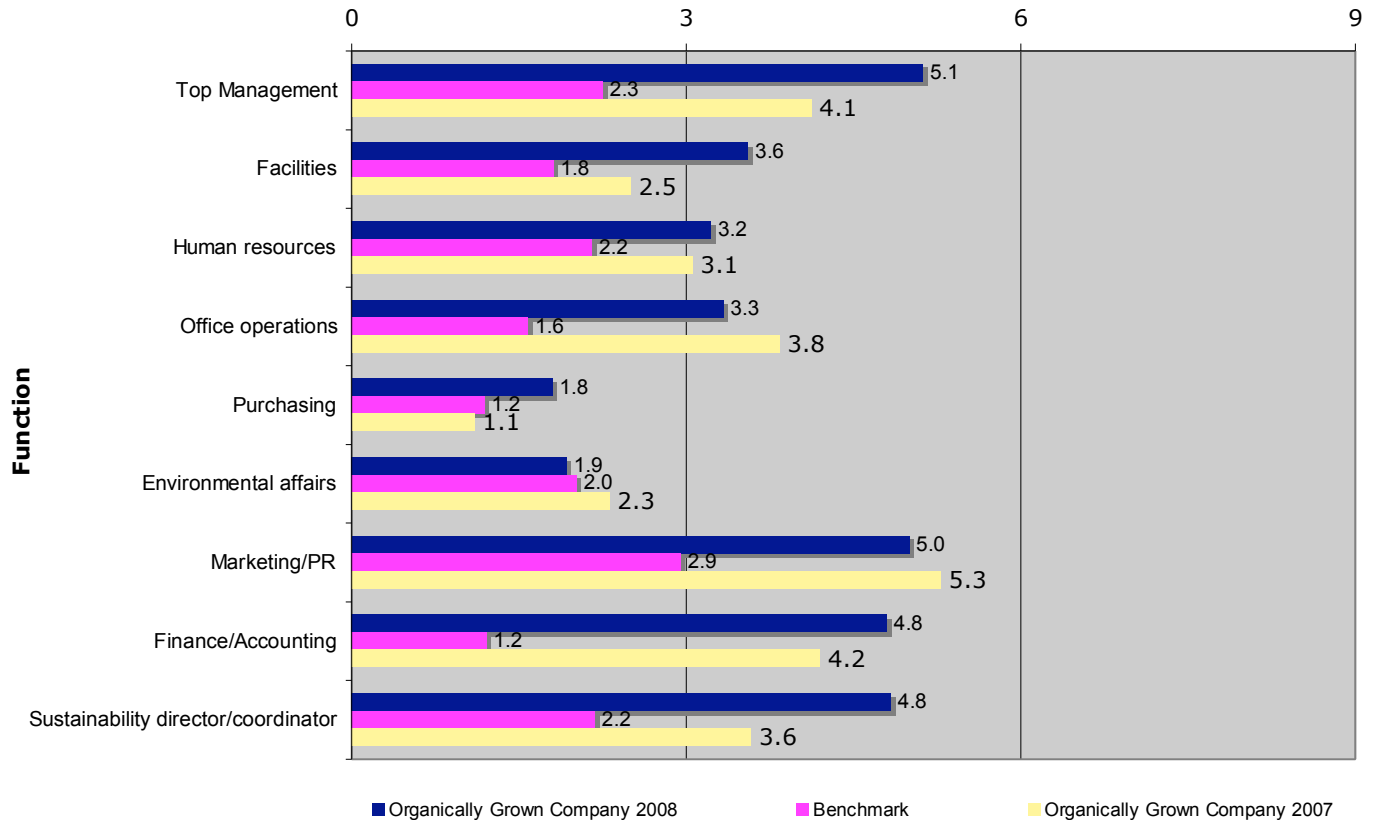
OGC completed the SCORE Audit (Sustainability Competency & Opportunity Rating & Evaluation) for the third consecutive year. The SCORE Audit, developed by Darcy Hitchcock and Marsha Willard of Axis Performance Advisors, in collaboration with the Zero Waste Alliance, evaluates progress by functional area against internal and external benchmarks. This exercise revealed considerable progress, as well as identified gaps in our business practices that result in unsustainable behaviors and processes.

This chart on the following page shows Organically Grown Company’s average scores for each functional area as compared with the industry benchmark.

Key to interpret SCORE results: 0=business as usual. 1=initial, early actions; good first steps. 3=formal initiative, significant steps have been taken. 9=fully sustainable, sustainability is embedded in your organization and you are putting pressure on other stakeholders as well.

SCORE Results--All Functions

Rating (0-9)



Axis Performance Advisors classified OGC as strongly in the “Initiative” stage of development moving towards the “Integrated” (see diagram below). Axis Performance Advisors commended OGC on surpassing the average benchmark scores in many areas, making steady progress toward our goals, for having consistent reporting, regular collection of baseline data and integrating sustainability into financial accounting decision and strategic planning. Axis Performance Advisors recommended that OGC embed the principles of sustainability into day-to-day systems, job descriptions, performance reviews, contracting language, buying materials and equipment purchases.

Organically Grown Company



Incubator	Initiative	Integrated
<ul style="list-style-type: none"> • Early ad hoc efforts • Pilot efforts in isolated parts of the organization, instigated by people with passion for sustainability • May or may not have top management support 	<ul style="list-style-type: none"> • A formal initiative with top management support • Sustainability is being embedded into formal practice across the organization • There are formal structures to support sustainability (e.g., a sustainability coordinator, a steering committee, etc.) 	<ul style="list-style-type: none"> • Sustainability is fully integrated into the organization and is part of the organization’s public image and core values • The organization is using its influence to encourage other stakeholders to pursue sustainability goals • The organization is a leader, taking responsibility for its externalities

Review of Long Term Sustainability Goals

Each year, the Sustainability Steering Committee (the “Committee”) takes a fresh look at OGC's long-term sustainability goals. This year, the Committee added a fifth goal addressing the area of “community engagement in sustainable food systems”. We recognize that our company is only one link in the broader food system and supply chain. In order to achieve the kind of broad change required to transition towards a healthy and sustainable food system, we must engage with our farmers, vendors, customers, trade associations, community groups, activists, policy makers to learn and act together.

OGC LONG-TERM SUSTAINABILITY GOALS:

Goal #1: Achieve carbon neutrality and eliminate fossil fuel use

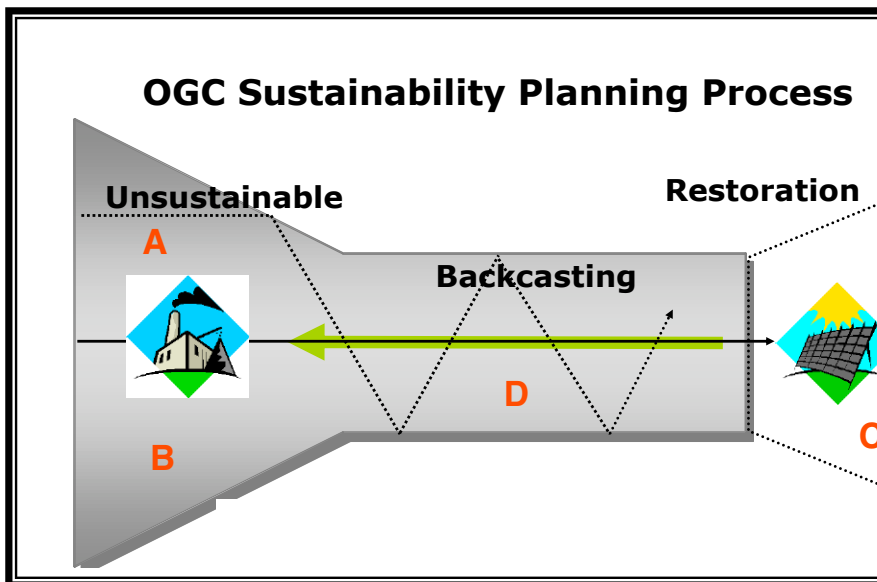
Goal #2: Eliminate solid waste and toxic substances

Goal #3: Achieve on-farm sustainability and small/medium farm viability

Goal #4: Foster a healthy and fulfilling workplace

Goal #5: Build customer and broader community awareness and support for a healthy and sustainable food system. *(Added in 2008)*

After clarifying our long-term sustainability goals, the Committee employed a process called “back-casting” to generate a list of near-term projects.



Backcasting Planning Process

Step 1: What are we doing that is unsustainable?

Step 2: What would our business look like if we were fully sustainable?

Step 3: What are the actions we can take in the next 1, 5, 10+ years to move towards “restoration?”

Establish 2009 Initiatives

The Committee proposed 27 projects. Our Management team incorporated 15 of those proposed projects into our 2009 Annual Operating Plan.

2009 Initiatives	Long-Term Sustainability Goal Addressed
Evaluate and make a recommendation on the purchase fuel-efficient vehicles for company use to reduce GHG emissions on commutes between facilities.	1
Complete and demonstrate software tool for internal use to identify the origin of each product and the mode of transport used to ship it to OGC.	1,3

Establish standing SMART Commute Committee to help employees take advantage of mass transportation discount programs and to increase alternative commutes by 10%.	1
Establish Standing Zero Waste Committee to ensure waste reduction protocols are met.	2
Develop and implement a reusable produce packaging program beta test.	2,3
Test wax-alterative packaging (100% recyclable) for Lady Bug products and make "go/no-go" recommendation.	2,3
Assemble a team to assess the merits of expanding the reusable container program in 2010 and make "go/no-go" recommendation. Determine the availability of a regional washing facility and the steps required to increase a closed loop infrastructure to pack, distribute, retrieve and wash reusables.	2,3
Explore the efficacy of Fair Deal social justice certification for supplier farms.	3
Facilitate discussion between researchers and regional growers regarding protecting food safety.	3
Complete implementation of the Employee Stock Ownership Plan and complete first allocation of shares.	4
Educate employees on the Providence Wellness Program and implement one "health" incentive recommended by Providence (e.g. walk/run challenge).	4
Evaluate and make sustainability goals a standard part of all employee performance evaluations.	4
Provide advanced sustainability training for employee leadership personnel & development.	4
Develop and implement a company-sponsored nonprofit volunteering program for 2010.	5
Support the success of the Organicology conference that OGC will co-sponsor with Oregon Tilth and the Organic Seed Alliance in February 2009. Provide unparalleled opportunities for education and networking across the organic trade.	5

Metrics and Reporting

Organically Grown Company has been one of the founding members of the Food Trade Sustainability Leadership Association (FTSLA). This organization provides business in the organic food trade with guidelines and recommendations for how to embody sustainability in their own operations. The FTSLA spent two years compiling input from organic growers, distributors, processors, retailers and certifiers to create an 11-point action plan titled "*Declaration of Sustainability in the Organic Food Trade*". Companies who sign the pledge commit to continual improvement and transparency around practices in key areas.

In 2008, OGC signed on to the *Declaration* committing to reporting annually our performance in the 11-action categories that include organic, distribution, energy, climate change, water, waste, packaging, labor, animal welfare, consumer education and governance. Each year, we will report our performance relative to these metrics and additional metrics relevant to our business. We strive to include forward-looking targets for our performance indicators.

In order to drive our sustainability performance throughout the year, key metrics are reviewed once per month by managers and selected metrics are posted regularly on bulletin boards at each facility.

III. Environmental Responsibility and Leadership

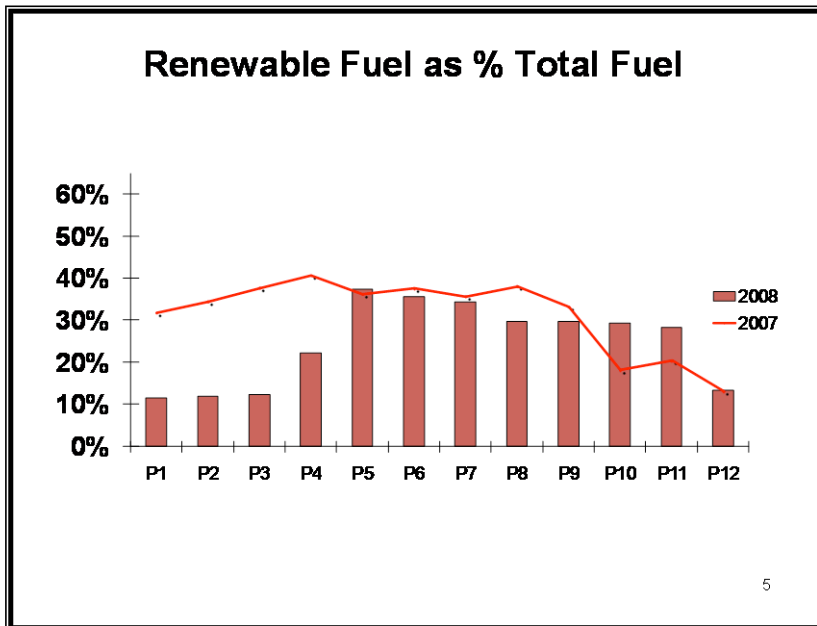
Organics: Over 99 percent of the food we distribute is organic. We are certified by Oregon Tilth as a handler of organic produce. Organic farming is a holistic production management system which promotes and enhances agro-ecosystem health, including biological cycles and biological activity within the soil.

At OGC, we believe that organic farming provides the strongest platform we have for moving towards the paradigm of a sustainable food system. Organic farming:

- Avoids the use of toxic and persistent synthetic inputs that nature cannot process.
- Utilizes fertility management systems that are based on renewable (e.g. solar) inputs, versus non-renewable inputs (e.g. fossil fuels).
- Recycles waste whereby plant/animal byproducts are converted into soil nutrients.
- Promotes biodiversity.

Transportation: In 2008, we drove 978,598 miles, consumed 115,718 gallons of regular diesel, and 38,274 gallons of biodiesel, while distributing over 100 million pounds of food to Northwest communities.

In 2008, we operated our entire fleet on an average blend of 24.8% biodiesel (B20). We did not reach our goal of more than a 31.5% biodiesel blend. The reasons are two-fold. First, we continued to experience mechanical erosion problems from the biodiesel, and as a result, we scaled down our biodiesel use until we found an aluminum replacement part in April. Second, we lacked access to biofuel infrastructure.



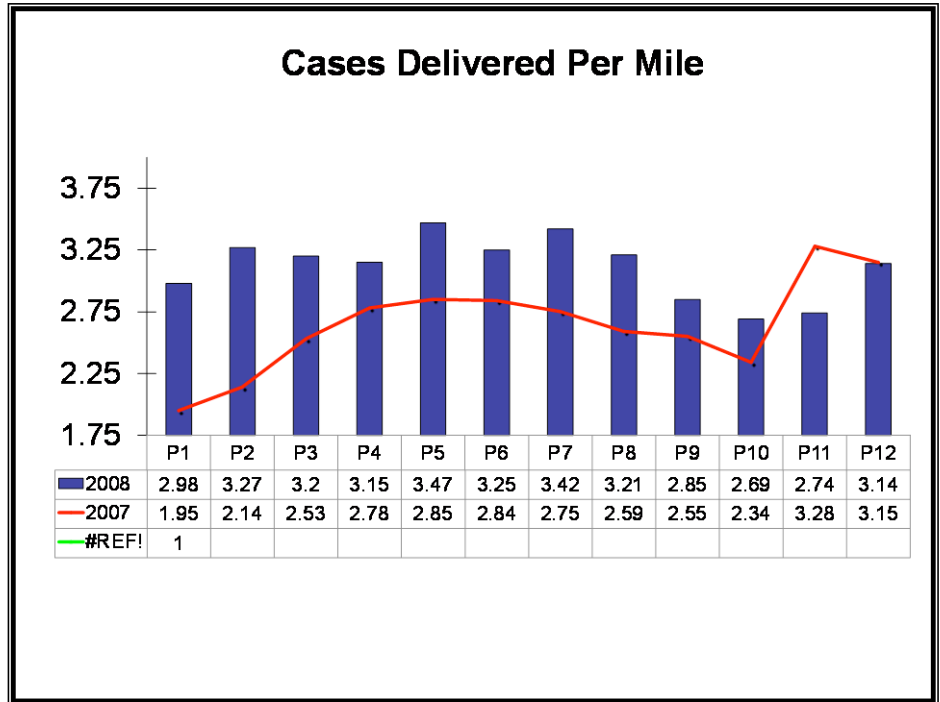
OGC’s biodiesel is supplied by Sequential Biofuels, which derives 95% of their biofuel from used cooking oil feedstock, turning a waste product into clean non-polluting fuel. The remaining 5% of SeQuential’s biodiesel is sourced from canola oil grown in Echo, Oregon. In 2008, Sequential partnered with Encore Oils to open a new Salem processing plant and to expand collection activities across the Northwest so that all available waste oil is collected. In the near future SeQuential has plans to utilize camelina, an oilseed crop that can be grown on land already utilized for another purpose like vineyards.

According to the U.S. Environmental Protection Agency biodiesel exhaust produces 78% less carbon dioxide (CO2) emissions than petroleum derived diesel¹¹. CO2 is the main greenhouse gas contributing to global warming.



In 2008 OGC entered our second year of making deliveries in a Kenworth T300 hybrid-electric truck. The truck saves 10-30% on fuel and has 33,000 Gross Vehicle Weight capacity and runs on a biodiesel blend. We are one of the first companies in the U.S. to be using hybrid truck technology.

In 2008, we successfully increased the efficiency of our fleet through a combination of equipment utilization and routing optimization initiatives. The number of cases shipped per mile driven increased substantially over 2007 (see diagram). This resulted in consuming *less* total fleet fuel in 2008—a total of 153,992 gallons, compared to 2007 total of 158,009 gallons. We consumed less total fuel, while experiencing double digit growth in volume of product distributed. This progress was achieved through the use of new on-board computers, routing optimization software, improved planning and communication across the Operations Department.



Employee SMART Commuting: 150 employees commuting to work and between facilities daily creates a big environmental impact. The average round trip commute to work for Portland employees is 22.4 miles round trip. The average round trip commute to work for Eugene employees is 19.2 miles round trip.

For 2008 OGC’s total estimated employee commuting footprint was:

- Total mileage reimbursed for company travel: 60,436 miles^[1]
- Estimated total miles employees commuted to work: 600,000 miles^[2]
- Estimated total airplane miles traveled: 120,000 miles^[3]

We estimate that the amount of CO2 emitted as a result of commuting is roughly equivalent to 300 tons, equal to the amount of emissions produced from operating our fleet of trucks for three months. To reduce the “carbon footprint” of employee commuting activities, we continued our commuting incentives to encourage employees to walk, bike, bus or carpool to work.

Here are a few of the SMART Commute activities in 2008:

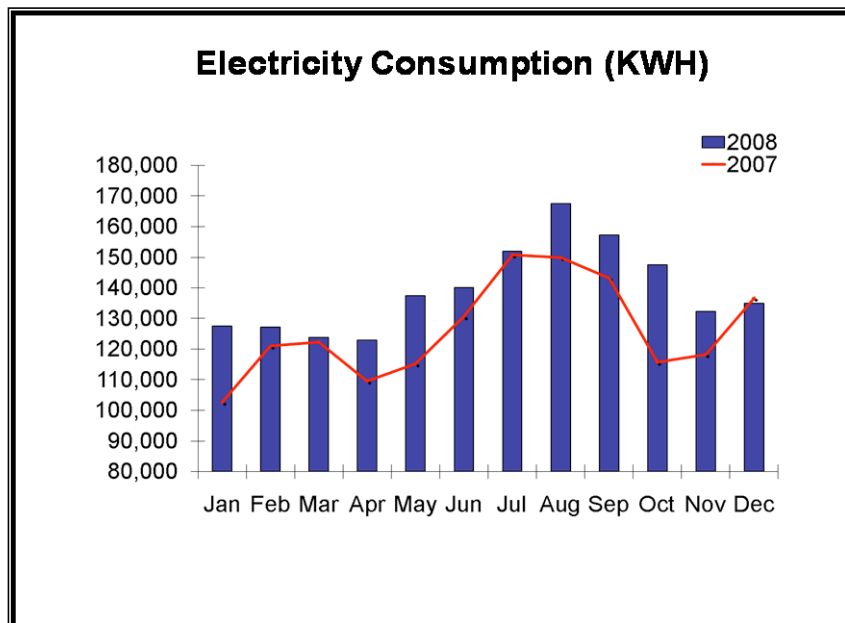
- Over 25 employees attended two SMART Commuter Luncheons where employees learned about bike, bus and carpool options and were offered free bicycle tune ups.
- We implemented an online reporting system where employees record their alternative commutes. Every month employees who participate are entered into a drawing to win \$50.
- We had a special summer prize give away of \$300 gift certificate to a local bicycle shop as an extra incentive for employees participating in the “punch-card” program.
- We evaluated the use of video conferencing to reduce the environmental impact of business travel between facilities. The return on investment was deemed insufficient at this time.

Setting up the online reporting system allowed OGC to more accurately track the participation level in the SMART Commuting Program. In 2008, 46% of employees participated in the program.

2008 EMPLOYEE SMART COMMUTE PROGRAM RESULTS

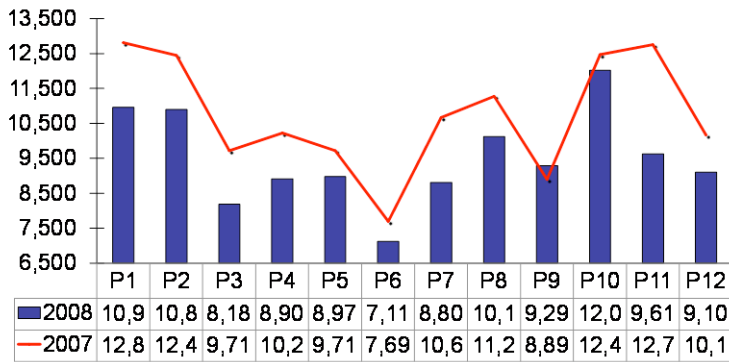
	<u>Number of Participants</u>	<u>Number of TOTAL Days of Alternative Transport</u>	<u>Average Commute Distance</u>	<u>Pounds of CO2 Saved</u>
PORTLAND	55	2010	19.2	37,385
EUGENE	16	1005	22.4	20,160

Facilities & Energy: OGC pays a premium on its electric bills to support investment in renewable energy at our three facilities in Eugene, Portland and Kent.ⁱⁱⁱ Most of the funds are invested in wind power projects in the Columbia Gorge. A small amount goes to solar, low-impact hydro and biomass projects. This amounted to a premium of \$18,387, or 12%, for renewable power in 2008.



Overall, our electric consumption remained slightly higher in 2008 than previous years. (Our electric KWH consumed per square foot increased from 1.49 to 1.64.) In 2009 we plan on conducting an energy audit to identify where the usage has increased. After the audit, a plan will be developed to change patterns in electric consumption with the goal of decreasing usage. One way we plan to decrease energy consumption is to convert to LED tube lights from florescent bulbs.

Energy Efficiency BTUS Consumed / Cases Shipped



In 2008 we saw a *positive* improvement in the amount of energy consumed per case of product moved through our facilities. The chart above shows the amount of energy consumed (including total purchases of electricity, natural gas, diesel and biodiesel) per case of produce moved. In 2007, we consumed an average of 10,734 BTU's of energy used per case. In 2008, we consumed an average of 9,498 BTU's. This shows that in one year OGC was able to reduce the amount of energy used per case unit by nearly 12%. This improvement was driven by efficiency in transportation and routing.

In 2008 OGC made the following “green” improvements in the Eugene warehouse:

- Hired a new janitorial company that uses *Green Seal* certified cleaning supplies.
- Revamped the defrost cycles on all cooler condensers for an estimated 6% energy use savings.
- Installed door seals on bay doors to prevent heat loss.
- Completed transition to flat screen monitors.
- Started a trial wax-corrugate box take back system for local accounts.
- Received 237 pallets of local produce directly, which saved nearly 2,300 unnecessary food miles.
- Put all pallet jacks and forklifts on a charge schedule to prolong life of batteries.
- Began using non-toxic water safe grease for preventative maintenance of fork-lifts and pallet jacks.

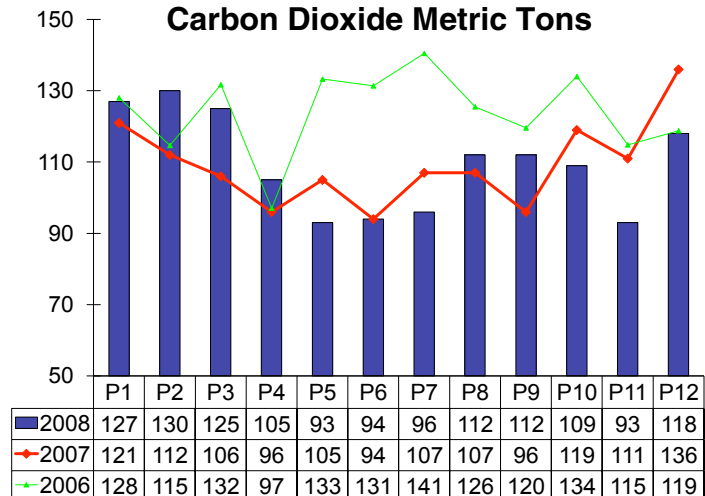
In 2008 OGC made the following “green” improvements to the Portland warehouse:

- Increased our recycling with Smurfit Stone, by adding corner boards, stretch wrap, plastic waste, and waxed corrugate to the products we recycle.
- Increased the amount of compostable materials picked up at the building.
- Continued with the conversion of warehouse equipment, to veggie-based lubricants.

Climate Change and Carbon Emissions:

One of our long-term sustainability objectives is to “eliminate fossil fuel use and achieve carbon-neutrality” (zero net carbon emissions). We have developed a metric to track our direct green house gas emissions by measuring the tons of carbon dioxide (CO₂) emitted into the atmosphere resulting from our use of electric, diesel, biodiesel, and natural gas. ^{iv} In 2008 OGC emitted 1316 metric tons of CO₂, this is virtually no change over the previous year. ^v

Greenhouse Gas Emissions Carbon Dioxide Metric Tons



In the last three years OGC’s operations have reduced the total annual emissions from 1489 metric tons of CO2 in 2006 down to 1319 metric tons in 2008. We have reduced our total emissions to nearly 13% over a three year period while experiencing significantly higher growth. We have achieved this primarily by increasing the percentage of biodiesel consumed by our fleet and increasing green power purchases to 100%. To further reduce our direct emissions, we must find ways to reduce our consumption of petroleum diesel and natural gas usage through efficiency measures and fuel-switching to renewable non-polluting sources. We recognize that much of the infrastructure and technology needed to make this transition is still in development, but we remain committed to doing what we can to move diligently in this direction.

In 2008 OGC worked with *Clean Metrics* to develop software tracking tool to enable OGC to better approximate food miles and carbon footprint data by product point of origin and mode of transport. Data collection is 80% complete and the analysis tool is functional. A team continues to collect data on 40+/- vendors who source produce from multiple locations. In 2009 plan to complete and demonstrate tool internally.

Solid Waste: Over the last three years, we reduced waste sent to the landfill by over 55%.

Organically Grown Company Waste			
	2006	2007	2008
Waste to landfill	376 tons	276 tons	176 tons
Waste to recycle	644 tons	686 tons	1042 tons
Waste to compost	110 tons	216 tons	215 tons

We donate pallets of edible but unmarketable organic fruits and vegetables to the Oregon Food Bank and Food for Lane County almost daily. In 2005, we donated 172,665 lbs of produce in Portland and over 125,000 lbs in Lane County. Year after year we have continued to increase the total amount of food donated.

We compost all food that is too poor quality to be sold or donated. In three years, OGC has nearly doubled the amount of food waste to compost. Composting significantly reduces the end-of-life greenhouse gas emissions generated by food. When organic matter decomposes aerobically in a compost pile, it releases CO2 rather than the methane that is released when organic matter decomposes anerobically in landfills, and methane is a far more potent GHG. Composting also reduces the size of landfills and finished compost provides great fertilizer.

In addition to food waste, in 2008 we began composting all of our non-recyclable waxed-cardboard box waste with Rexus Forest Products in Lane County.

Computers and Paper Consumption One area we continue to struggle with is reduction in paper usage. Like most businesses, OGC consumes a lot of paper in day-to-day printing. In 2008, we set a goal to reduce paper consumption by 10%. We found it was very difficult to accurately track the total amount of paper we use. In November, OGC enabled double-sided printing from within the Enterprise Resource Planning system and all Windows-based applications across the company. The I.T. department educated employees on how to utilize the double-sided print feature. The I.T. Department created a report that now allows tracking of the total pages of paper printed company wide. In 2009 we will post this report monthly to build employee awareness and work towards meeting our 10% reduction goal.

In 2008 OGC made the following ‘green’ efforts in the Information Technology Department:

- All old computer-related hardware items are sent to Free Geek, an organization that restores old computers and provides them to needy people while recycling whatever cannot be restored.
- Old printer toner cartridges are sent to www.tonerinx.com for recycling.
- All laptops and desktop computers companywide are Electronic Product Environmental Assessment Tool (EPEAT) certified “silver” and “gold” <http://www.epeat.net/>
- OGC purchases 100% renewable power from the Easy Street data center to powers our servers.

Clothing and Gift Purchases from Green Companies When OGC purchases our ‘urban fashion farmwear’ we are mindful of the companies and products used. Whenever possible we choose US made organic cotton and bamboo materials and soy-based ink screening. We try to purchase our goods as locally and sustainable as possible.

Packaging: Growers of wet vegetable produce in the USA typically use wax corrugated boxes to pack their produce. The wax lining helps the box retain its shape and prevents crushing of the contents. The downside of wax-corrugated boxes is that they have historically been sent to landfills^{vi}.

OGC has received feedback from both local growers and regional accounts that they would like us to take leadership in eliminating the need to use wax-corrugated boxes (landfill single-use packaging). In 2007, OGC launched a pilot reusable produce container program with Siri and Son Farm and New Seasons Markets. Expanding the program in 2008 was put on hold and a cross-department committee was assembled to research alternative packaging strategies moving forward.

The team’s objectives were to:

- Examine options for eliminating single-use, land-filled packaging;
- Assess what would be the most economical way for OGC to provide a packaging solution to local growers and accounts that would eliminate the need to landfill single-use packaging;
- Determine the appropriate scope and structure for reusable container program (what growers, what accounts, what geography, what products, volume, etc);
- Develop a financial feasibility analysis of an RPC program; and
- Develop an implementation plan.

At the conclusion of research, three alternative packaging recommendations were made by the team:

1. Work with a reusable container leasing company to utilize reusable containers for all OGC re-packed product bound for large accounts.
2. Test a wax corrugated alternative packaging product for use with regional LADYBUG growers. If the test succeeds, use the alternative non-wax box to replace approximately 100,000 boxes in 2009.
3. Set up a pre-order program from large California based producers to pack OGC bound product in reusable to be diverted to select high-volume accounts.

IV. Social Responsibility: Investing in People, Community, Supply Chain

Ownership: Organically Grown Company (OGC) was formed in 1978 as a support organization for Oregon’s organic farmers. Since 1983, OGC has served as the Northwest’s largest wholesaler of organic fruits, vegetables, and herbs. OGC is owned by 20 Oregon farmer and 23 employee shareholders. In late December 2008, we established an Employee Stock Ownership Plan (ESOP).

Employee Stock Ownership Plan: Our Board of Directors recently authorized the first contribution to the Employee Stock Ownership Trust (“Trust”). We are planning to complete the first allocation to employee participant accounts in late 2009

Consumer Education: In February of 2008, OGC launched a customer portal on our website. It enables customers to electronically receive their pricing, promotional materials, market reports, etc. We currently have 169 customers benefitting from this paperless option. We are in the process of surveying users to see how our customers would like us to expand our site to continue in this direction.

Commitment to Northwest Farms and LADYBUG Brand: Utilizing the advantages that a small trade system offers, we purchase over 90% of our product line directly from the growers. OGC works with over 400 vendors. Farmers and orchardists in Oregon, Washington, and British Columbia accounted for about one-third of our total produce sales in 2008. OGC highlights regional farms on our price sheets.

As a business created by farmers, OGC continues to work closely with the Northwest’s growers to supply local communities with high-quality produce. We hold annual “coordination” meetings with Northwest growers to determine what they will produce for us each year so they are better able to plan ordering seeds and fertilizers, preparing equipment and planting times. This planning process increases the likelihood that what farmers grow will be sold and prevents over/under production, enhancing local farm economic stability.

Our own LADYBUG brand represents the efforts of more than three dozen regional, family-owned farms who supply us with over 150 different fruits and vegetables in season. We actively support and promote our LADYBUG brand with point-of-purchase materials, advertising and in-store promotions and tastings. In 2008 we added eight LADYBUG farms, 5 in Oregon and 3 in Washington. We continued to create and distributed written profiles with photos of NW certified organic family farms, highlighting their unique and sustainable practices. Retailers and restaurants can use these profiles to share pictures and information with their customers. We also made these profiles available on-line.



Investments in our Employees: OGC invested over 500 hours in employee training during 2008. These trainings included topics in leadership development, computer skills, communication, and various other job-related trainings. In 2008 OGC spent a total of \$44,880 on tuition for employee education and received in reimbursement for \$8,400 from a Clackamas County training grant.

We continued our efforts toward improvement in the quality of work life at OGC by surveying all staff members and developing action plans to address any issues out of alignment with our values and commitments.

OGC staff also had opportunities to gain hands-on training in the principles of organic farming. Eight employees took part in two organic agriculture education events at Oregon Tilth’s Luscher educational Farm on the topic of “Organic Farming 103: Harvest and Post Harvest Handling”. In August, 6 OGC staff and 2 Puget Consumers Cooperative Produce Managers participated in a three day working tour of Nash’s Farm on the Olympic Peninsula in Washington. Staff learned all about work on an organic farm

from weeding, irrigation, packing to how to grow your own seed as well as the politics of seed, GMO's and land use issues.

Employee Benefits: In 2008, OGC continued our generous 401k match up to 6.5% dollar-for-dollar match on employee 401(k) contributions up to a maximum of \$5,000 per year, and our profit sharing program which recognizes and rewards long-term employment and equitably shares the rewards of the company's success. The company offers a pool of "socially responsible" investment options for staff through Social K Investments.

In 2008, we added a flexible spending account option for employees to use pre-tax dollars to pay for dependent care costs and health expenses not covered by insurance. We were able to hold our insurance rates flat, whereas average insurance rates went up 15% between 2007 and 2008. OGC pays 100% of our employees' insurance premiums and 50% of dependent coverage.

Our CEO launched the "Kick-Butt" challenge in 2008, paying \$100 cash to anyone who quit smoking for six months or longer. Six people successfully completed the challenge and Josh's wallet got thinner.

Fair Labor: We recognize that we have significant impacts on communities beyond our borders through the trade we conduct. Starting in 2005 we have purchased all bananas exclusively from Organics Unlimited who operates the "Giving Resources and Opportunities to Workers" (GROW) program^{vii}. In 2008, OGC's sales of GROW bananas resulted in a donation \$82,455 to educational programs and dental and vision clinics in communities in southern Mexico.

Charitable Contributions: In 2008, we donated 3.38% of net profits to a variety of non-profits that share and support OGC's mission statement. The Community Contributions Committee gives priority to organizations that further OGC's mission statement by supporting sustainability, agriculture, education and environmental causes. The Committee also gives financial aid relief in times of disaster to growers and stakeholders in our business community. The Committee made cash and product donations to over 75 nonprofits, schools and community organizations.

Engaging with the Trade: Organically Grown Company is a founder and lead sponsor of the Food Trade Sustainability Leadership Association (FTSLA). The mission of FTSLA is to build the capacity of the organic food trade to transition to sustainable business models. The organization has objectives to:

- 1) Expand understanding in the food trade about sustainability.
- 2) Research and share information about sustainable business strategies and practices in the food trade.
- 3) Train practitioners in the food trade to implement, measure, and report sustainable business practices.
- 4) Organize and provide opportunities for collaboration and networking.

In the past year, FTSLA has launched the "Declaration of Sustainability" sign-on campaign, an 11-point action plan aimed to promote education and action toward sustainable business practices in the organic food trade. The 25 companies who have signed the pledge commit to continual improvement and transparency around practices in key areas. In return, members receive the education and tools needed to support their efforts.

Representatives of OGC volunteer with various community non-profits including Lane County Farmers Market, the Willamette Food and Farm Coalition, the Oregon Organic Coalition and the Oregon Food Bank's Food Procurement committee. We participated in meetings of the Oregon Solutions Food Distribution Project Team, Healthy Food in Health Care, Local Food Connection and supported several farm-to-school projects throughout the state.

OGC is an annual donor to Puget Consumers Cooperative's Farm Land Trust. It is believed to be the only 501(c)(3) land trust in the United States dedicated to organic farmland preservation focusing on the protection of biodiversity and wildlife, farmers and farming communities.

In 2008, OGC supported The Organic Seed Alliance's lawsuit against the USDA for allowing the introduction of genetically modified "Roundup Ready" beet seed into the Willamette Valley, which could potentially contaminate the seed stock of other Brassica crops in the region. We also financially supported the Organic Trade Association's legal fight in the Mid-West to maintain the natural food trade's ability to make labeling claims such as rBGH and GMO free.

VI. Recognition for Organically Grown Company

- 2009 Ecological Farming Association—**"Sustie"** Awarded to "Stewards of Sustainable Agriculture", the annual award honors three individuals, couples or groups who have demonstrated, in word and action, a long-term, significant contribution to the well-being of agriculture and the planet.
- 2007 Easy Street—**"First company/customer to choose 100% renewable power"** for the operation of our servers and data storage.
- 2007 City of Eugene—**"Mayor's Bold Steps Toward Sustainability Award"**
- 2007 Clean Cities Coalition—**"Fleet of the Year"** for commitment to reducing the emissions of our fleet through increased efficiency measures and responsibly sourced biodiesel.
- 2006 City of Eugene—"2006 City of Eugene Community Sustainability Recognition"
- **2006 City of Eugene Business Recycling Award Group's "BRAG Award"**—for preventing waste, buying recycled and recycling in OGC's Eugene facility.
- 2006 Food for Lane County **"Facing Hunger Certificate"**—for outstanding food donations" every year since 2003.
- 2006 Oregon Food Bank in 2006—"In recognition of outstanding support," for the "constant stream of high quality produce" donated in 2005 and 2006.
- 2006 Oregon Tilth **"Visionary of the Year"** –for "innovation and creativity in forwarding the vision of a sustainable future."
- 2006 Provender Alliance **"The Yellow Eco-Brick Road Award"**—for "attention to the footprint left behind, creating a path toward a sustainable tomorrow, and taking the deliberate steps to get there."
- 2005 Fred Meyer "Vendor of the Year"—for performance as a "proactive provider and promoter of organically grown produce".

ⁱ Adapted from *The Natural Step*.

ⁱⁱ Environmental Protection Agency report on "A Comprehensive Analysis of Biodiesel Impacts on Exhaust Emissions". (www.epa.gov/otaq/models/analysis/biodsl/p02001.pdf)

^[1] To obtain this figure we used actual mileage reimbursement data for 1/1/08-12/31/08.

^[2] To obtain this figure we used a spread sheet with all employee addresses to look at daily commute distances, we conservatively assumed that each employee worked 48 weeks per year and drove 4 days per week.

^[3] To obtain this figure we assumed that 20 employees flew 6,000 miles on average to trade shows and account visits over the course of 2008.

ⁱⁱⁱ In Portland, OGC purchased about 990,000 KWH of “Clean Wind” in 2008. Clean wind purchases result in an equivalent amount of KWH’s from qualified renewable resources in Oregon and Washington being transmitted within the Western Electricity Coordinating Council (WECC) area. In addition OGC purchased 314,009 KWH of “Green Source” power. With PGE’s “Green Source Power” approximately 85 percent of “Green Source” electricity came from new wind sources and 15 percent new biomass (wood waste).

In Eugene, OGC purchased 360,015 KWH of Green Power from EWEB. EWEB Greenpower currently comes from the Stateline Wind Energy Center in the Columbia Gorge and from photovoltaic (PV) electric generation facilities in Eugene. There are a growing number of solar generation projects in Eugene including two of the largest systems in the Northwest including Industrial Finishes at 450 kW and the Pepsi-Cola Bottling Company of Eugene at 250 kW.

In Kent OGC Purchased 97,000 KWH of green power from Puget Sound Electric. PSE uses the funds collected from the Green Power Program to purchase green power, educate the public and market renewable energy, and administer the program. PSE Green Power Program energy mix was sourced from wind 77%, biomass 14%, low-impact hydro 9%, and solar <1% all within the Oregon and Washington.

^{iv} Total Carbon emissions calculation. Tons of CO₂ emitted = ((gallons of diesel X 22.5) + (Gallons of biodiesel X 11.5) + (therms of natural gas X 12.06) + (KWH X 2.05)) X 0.0004536.

^v The primary reason for not reaching our 2008 target of 1250 metric tons was that we were not able to hit our target of 31.5% average biodiesel usage (we achieved 24.7%).

^{vi} Some industrial composters are able to compost these boxes but most retail grocers have limited access to these composters.

^{vii} For more information about the GROW program, see <http://www.organicunlimited.com/organics/grow>

ACHIEVEMENT OF SUSTAINABILITY PROJECTS 2008

<u>What we said in 2007</u>	Supports Long-Term Sustainability Goal	<u>What we did in 2008</u>	Self- Rating	More Info
Expand SMART commuting incentives for employees to walk, bus, bike, or carpool to work and measure results.	1	Established an online reporting system. 71 employees participated, a total of 46% of employees used alternative transport at some point during the year, up from 20-25% in 2007.	√√√	page 7
Work with <i>Clean Metrics</i> to develop software tracking tool to enable OGC to better approximate food miles and carbon footprint data by product point of origin and mode of transport.	1	Data collection is 80% complete and the analysis tool is functional. A team continues to collect data on 40+/- vendors who source produce from multiple locations. In 2009 plan to complete and demonstrate tool internally.	√√	page10
Increase backhauls to reduce driving trucks empty and set target.	1	Did not meet target of increasing the volume of backhauls due to legal hurdles for carrying 3 rd party product. Focused on laying the legal groundwork for 2009.	---	
Evaluate and implement video conferencing to reduce the environmental impact of business travel between facilities.	1	Received demonstrations from two video conferencing firms. Project leaders submitted a return on investment analysis. The project was tabled due to prohibitive capital costs.	√√	
Evaluate 2007 Reusable Produce Container Program and develop a 2008 plan to include additional Northwest growers.	2	The 2008 program was put on hold and a committee assembled to research elimination of single-use-landfilled packaging. Two recommended projects for alternative packaging are underway.	√√	page 10
Reduce paper consumption by 10%. Evaluate and implement double sided copying, electronic data storage, paperless invoicing.	2	Report configured that allows tracking of the total pages of paper printed company wide. All capable printers have been set to double sided print defaults across the company.	√√	page 11
Organize a meeting with regional growers to identify key areas where OGC can affect substantive changes that will enable small-to-mid-sized farms to improve the triple bottom line. Draft energy resource guide and organize energy audits of 5 farms.	1, 3	Facilitated a meeting at Farmer to Farmer Conference. Generated recommended of areas for improving triple bottom line. Explored energy audits in partnership with Oregon State University but lacked funding; a group of local growers has used OGC's metrics as a basis for self-audits of energy.	√√	
Implement communication improvements between employees and management.	4	Completed quarterly open forums with management, created Human Resources Bulletin Board and weekly newsletter.	√√√	page 12
Initiate and implement Employee Stock Ownership Plan	4	In 2008, OGC successfully committed to and planned for a 2009 Employee Stock Ownership Plan (ESOP) that will allow all of our employees to become owners of our company.	√√√	page 12
Increase outreach to accounts to build customer and broader community awareness and support for a healthy and sustainable food system.	5	OGC representatives gave multiple presentations on sustainable practices, fielded requests for information from accounts and served on one retail level sustainability committee.	√√√	page 13

KEY: √√√ ACHIEVED √√ MAKING PROGRESS --- DID NOT ACHIEVE

KEY PERFORMANCE INDICATOR SUMMARY HIGHLIGHTS 2008

	Indicator	2007	2008
WORKPLACE			
Compensation	Employee Health Care Benefits - percentage of health care costs (health, vision, and dental) covered for full time employees.	100%	100%
	Employee Health Care Benefits - OGC total payments into employee health care (health, vision, dental).	\$572,664	\$615,643
	Employee 401(k) Plan Contribution - OGC total payments into employee 401K plans.	company match max \$5,000	company match max \$5,000
	Employee Training and Education - total company expenditures for employee training and education.	\$21,067	\$44,880
Health and Safety	Accident Frequency Ratio [AFR] - accidents per 1 million miles	9.13	10.73
	Injury Frequency Ratio [IFR] - injuries per 100,000 hours.	6.85	6.29
COMMUNITY			
Fair Labor	Sales of GROW Program Fruits - percentage of total sales.	5%	5%
Northwest Farms	Sales From Farms in Oregon, Washington, British Columbia - percentage of total sales.	31%	32.6%
Charitable Contributions	Cash and In-Kind Contributions to the community - percentage of Net Profits.	2.68%	3.40%
ENVIRONMENT			
Organic	Organic Product Sold - % of total sales.	99.3%	99.5%
Electric	Electricity Usage and Efficiency - kilowatt hours per square foot of warehouse space.	1.49	1.64
	Renewable Energy Wind Power - wind power purchases as a percentage of total power.	98.4% wind power	100% green power
Fuel	Total Fuel Gallons Consumed - total gallons of diesel and biodiesel.	158,089 gallons	153,992 gallons
	Renewable Fuel % of Total Gallons - biodiesel as a percentage of total fuel.	31.46% biodiesel	24.8% biodiesel
BTUs of energy consumed	Energy Consumed per unit moved - total electricity, natural gas, diesel and biodiesel consumed per case moved.	10,034 BTU of energy per case	9,337 BTU of energy per case
Green House Gas Emissions	Metric Tons of CO2 Equivalent s - Total CO2 emissions from all electric, natural gas, diesel and biodiesel fuel.	1,308CO2 metric tons	1,316 CO2 metric tons
Waste	Waste Output - tons sent to the land fill.	276 tons	176 tons
	Recycling Output - tons sent to the recycle center.	686 tons	1042 tons
	Compost Output - tons of food waste diverted to compost facility.	216 tons	215 tons

