

A vibrant landscape of a tea plantation. The foreground is filled with lush, green tea bushes. In the background, rolling hills and mountains are visible under a bright, cloudy sky. The overall scene is bright and natural, emphasizing sustainability and agriculture.

DAMRON SUSTAINABILITY REPORT 2019



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For questions regarding this report or how you can participate in DAMRON's sustainability journey please contact the Director of Sales and Marketing at kowen@damroncorp.com



A Letter from the CEO

DAMRON family,

Like many of you, I take great pride in DAMRON Corporation's foundation as a local, diverse-owned tea manufacturer and distributor, although this only scratches the surface of DAMRON's story. With over 75 years of experience in manufacturing, tasting, blending and packaging, our Tea masters can guarantee first pick of the very best teas from across the globe. The company's expertise and quality supply chain has earned DAMRON the privilege to supply tea to the world's largest quick service restaurant and world's largest retailers, as well as private label and company brands. An extension of these values and priorities, accomplishments, and vision, are DAMRON's commitment to operating in a holistic, environmentally sustainable manner.

In consideration of the earth we inhabit and valuable resources we all share, DAMRON's focus on operational efficiency has expanded to quantify and reduce the amount of energy we use, the amount of waste we generate and continued efforts to give back to our community. In DAMRON's first Annual Sustainability Report I am pleased to share the accomplishments of our ongoing, impactful work in this arena, which, among other successes, includes a 27% reduction in electricity since 2016 and achievement of zero waste in our manufacturing and packing operations. These efforts go beyond reducing DAMRON's environmental footprint, as they lend to cost savings and efficiency in operations. Through this report I invite you to not only learn more about DAMRON's work in this sphere, but also to join us in supporting these initiatives and their impact on our environment, community and clients.

Sincerely,
Ronald Damper

Our Tea

DAMRON has been manufacturing and distributing high quality tea products for over thirty years. We are a leading provider of premium tea sourced from famous growing regions all across the world. In addition to our own variety of brands, DAMRON provides both hot and iced tea for private label.

Organic

Two of our tea brands, Harvest Delight and AMAR, are certified USDA Organic. It is important to us to offer our customers options so they can find their perfect tea. Certifying these brands ensures that our customers experience tea devoid of any additives.

Rainforest Alliance

Our Chicago location is dedicated to processing tea for customers' private label products. As of 2018, we have reached 90% Rainforest Alliance certification for these tea products. This is an important milestone for us, as well as our customers, as we strive to reach 100% certification for our private label tea by 2020. The Rainforest Alliance standards are used to establish sustainable farming practices, protecting biodiversity and focusing on the

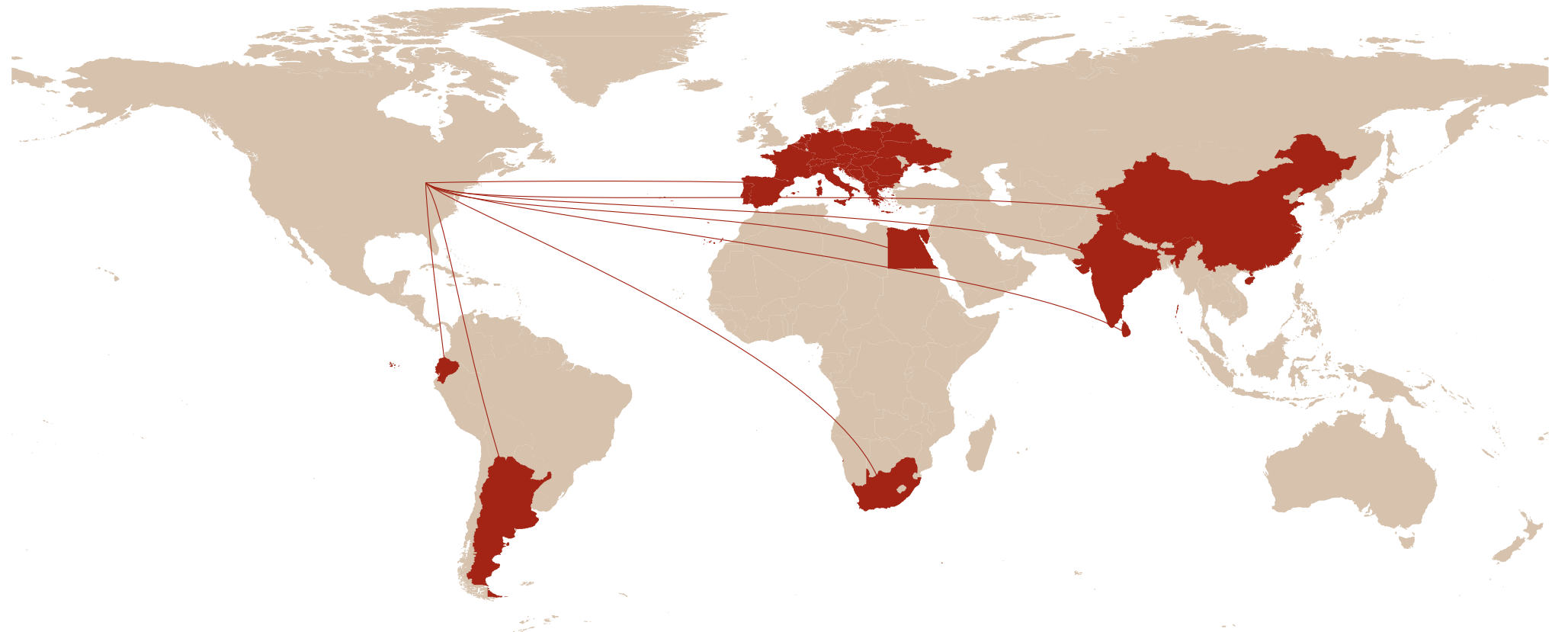
conservation of natural resources.

Supply Chain

We care about where our tea comes from and who it comes from. In addition to being certified organic, DAMRON has also achieved Fair Trade certification for its Harvest Delight and AMAR brands. Our supply chain is truly global, spanning across five different continents, so it is important for us to have a positive impact everywhere we are involved. By getting these two brands certified, it reaffirms our commitment to paying a living wage to the farmers and the workers that made it possible for our customers to enjoy a cup of our tea.

The Damron tea family

Where our tea comes from



HARVEST DELIGHT TEAS



Kimberly's

Tea Association of the U.S.A. Inc.

Our Sustainability Journey

In 1990, we grew into our manufacturing plant located on Chicago's West Side. This plant has served as the headquarters of DAMRON's operations and is where we prepare tea for our private label customers. Recently, we have taken steps to tackle the impacts of this location, specifically in understanding our energy intensity, water intensity, and focus on waste reduction. We have taken steps in our supply chain to promote sustainable practices in farming and labor so we believe it is time to incorporate sustainability into our everyday operations.

Sustainability Vision

It is DAMRON's belief that sustainability must be dynamic in nature and umbrella three key business components for operational excellence, namely, safety, environment and community. These three components will provide structure and stability while maintaining a sustainable business. In order to operationalize this vision DAMRON created and adopted a Sustainability and Environmental Management Plan. This organization-wide document will enable all departments to effectively implement projects in line with our vision.



Our Goals

In line with our sustainability vision and feedback from our stakeholders, communities, and customers, the leadership at DAMRON has identified the following goals for the organization to be achieved by 2020 from a 2016 baseline.

- 1 Reduce total greenhouse gas impacts by 20%
- 2 Reduce electricity and natural gas usage by 20%
- 3 Reduce water usage by 20%
- 4 Achieve zero waste for all manufacturing and packaging operations



Zero Waste

DIVERSION

One of the main challenges at our Chicago facility is the minimization and diversion of manufacturing waste. It is our objective to achieve zero-waste from our production lines and have made great strides in 2019. To better understand our opportunities, DAMRON conducted a waste characterization assessment and determined that by adding a composting program, we can divert 97% of our total waste stream. Additionally, hand dryers were added to all bathrooms to eliminate most of our usage of paper towels which were previously sent to be landfilled.

Increased Diversion

With the results of the waste characterization DAMRON instituted a formal diversion program that collects and bales all the recyclable materials for collection by a local recycler. DAMRON currently diverts cardboard, film plastic, and plastic bulk bags through this program.



COMPOSTING

At the end of 2018, DAMRON identified composting as an effective option for reaching zero-waste from our manufacturing operations. We have partnered with a local composting service provider that can accept our tea scrap and any excess filter and wrapping papers. The service provider operates a nearby farm, just a few miles from our Chicago location, providing the finished compost product to businesses throughout our neighborhood and the city.

After seeing the success of composting our production waste, we decided to take it a step further.

Our break room will soon be outfitted with a compost bin to accept food scraps, paper towels, and any other organic waste that may have otherwise been landfilled. The implementation of this project has been an important step in our sustainability journey and is already yielding significant results. We look forward to continuing composting in 2020 and investigating any other materials that we can additionally include or opportunities to expand our waste diversion strategy. Since implementation in late 2018, DAMRON has diverted over 19,200 lbs. of material to the local composting operation.



5 YEAR GOALS

- 1 Reduce the generation of waste material through operational improvements.
- 2 Work with supply chain to reduce the amount of material required in packaging.



Energy

DAMRON is committed to improving the energy efficiency of our manufacturing operations, as well as our office spaces. We have set a significant goal for ourselves of achieving 20% reduction in energy intensity by 2020, using 2016 as our baseline. This goal is based on our electricity and natural gas consumption normalized by our units of production.

In the past year, we have installed motion-sensor lighting in our storage spaces to reduce needless electricity consumption. Our

sustainability team also increased its education and training efforts to ensure that all machines, lights, and equipment were turned off during inoperation. These efforts have significantly helped DAMRON reduce its electricity usage and meet its 2020 goal.

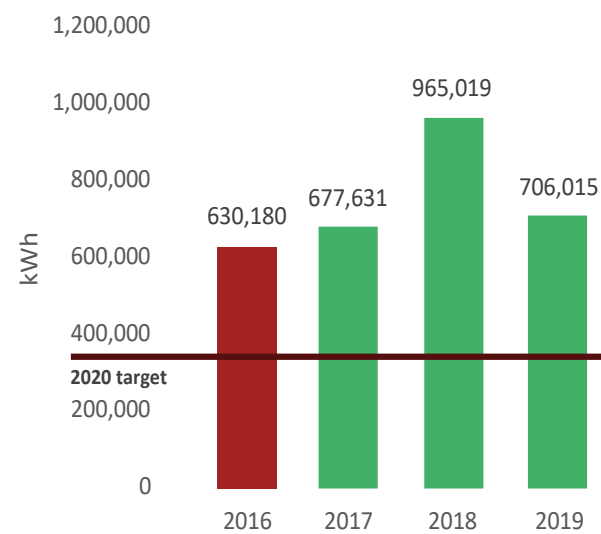
In 2019, DAMRON's electricity usage was 146,917 kWh, a 27% decrease from the baseline. All of the natural gas usage at DAMRON is used for non-manufacturing purposes such as building conditioning and water heating. Given the age of our

manufacturing facility and the increased intensity of winter storms in the last two years, our conditioning equipment is in need of considerable upgrade. As DAMRON prepares to upgrade these systems with energy efficient systems, we are certain that they will meet our 2020 target of 20% reduction.

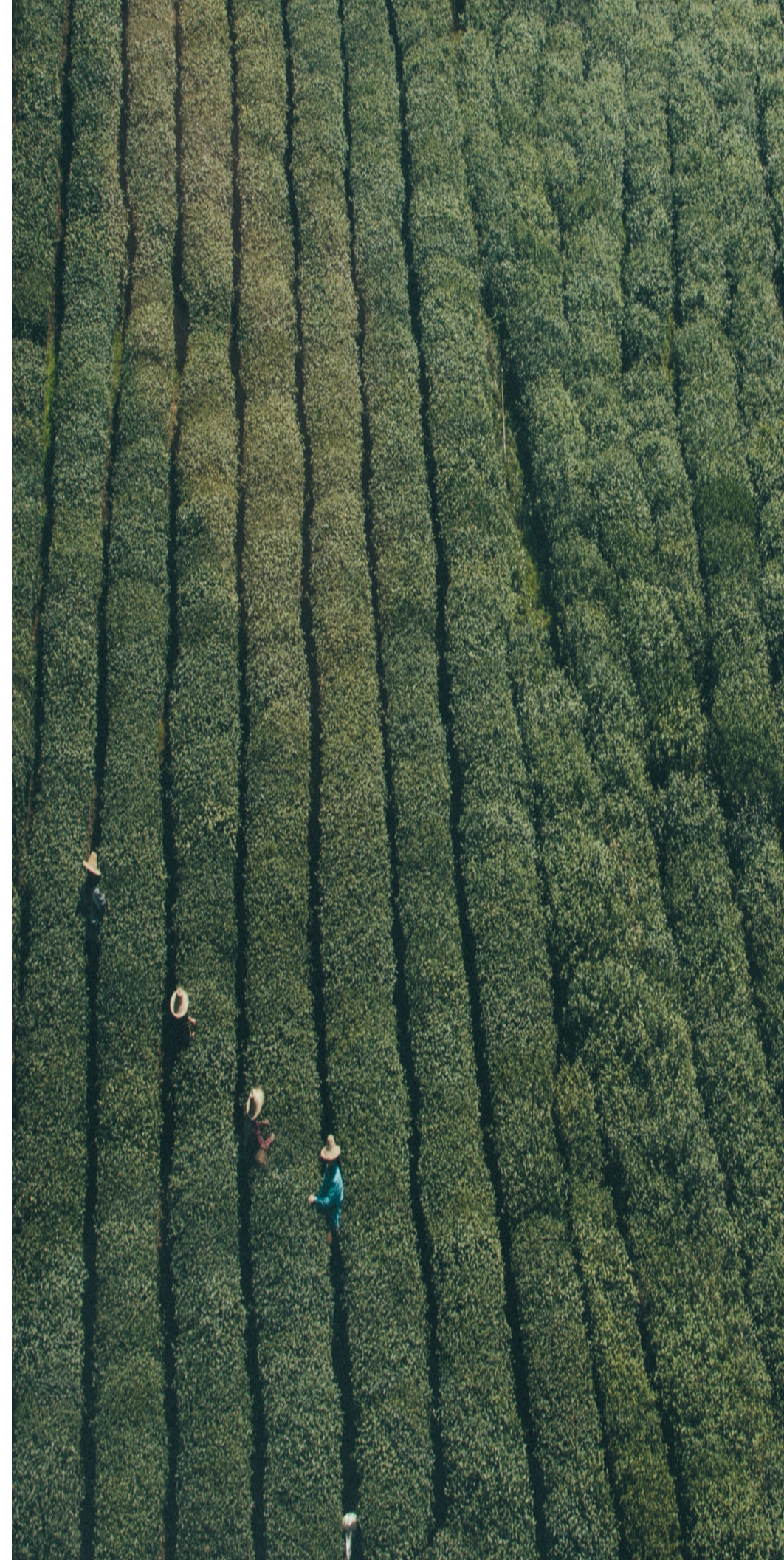
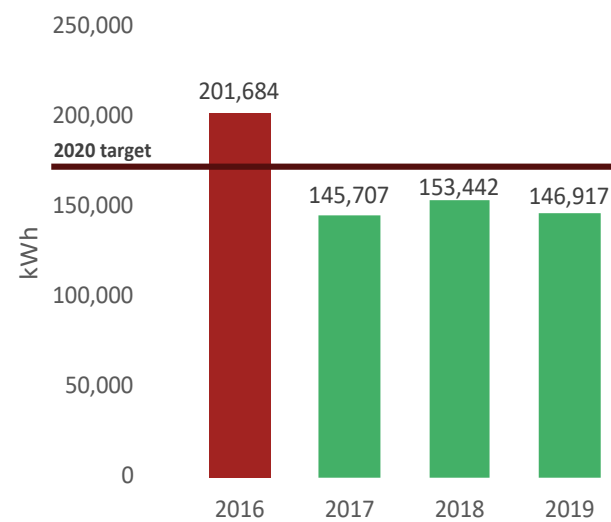
5 YEAR GOALS

- 1 Replace aging HVAC units to meet our energy-efficiency requirements
- 2 Upgrade roofing system with additional insulation and reflective white roofing membrane.
- 3 Continue to reduce electricity usage through employee training and engagement.

Natural Gas Usage

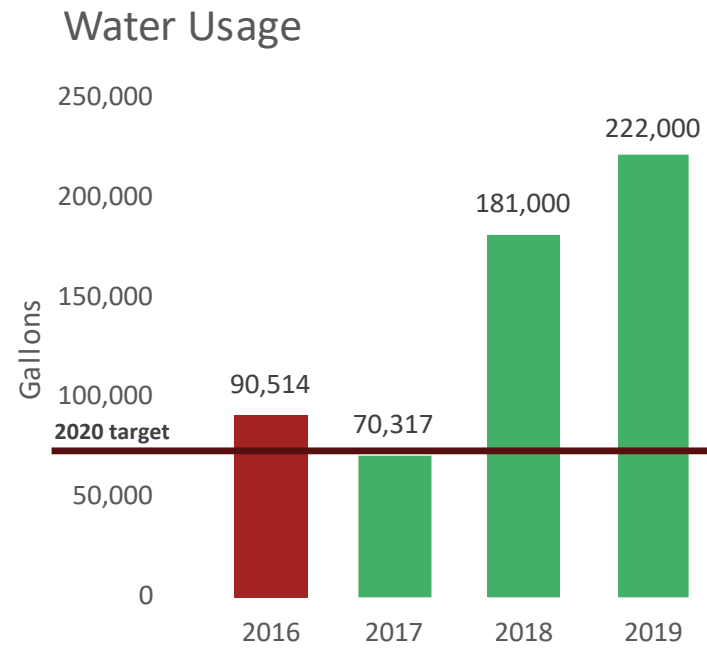


Electricity Usage



Water

In addition to reducing energy usage, DAMRON has also set a goal to reduce water intensity by 20%. In 2016, water consumption was baselined at 90,514 gal. As of 2019, water consumption was 222,000 gal. The majority of water at DAMRON is being used for non-manufacturing purposes at our facility so motion-activated faucets were introduced to improve conservation. At the end of 2018 DAMRON started sub-metering the facility to identify sources of high water usage and has operationalized a process to systematically reduce water usage across the facility.



5 YEAR GOALS

- 1 Continue to sub-meter facility to identify sources of high usage
- 2 Improve cleaning operation to use water efficiently

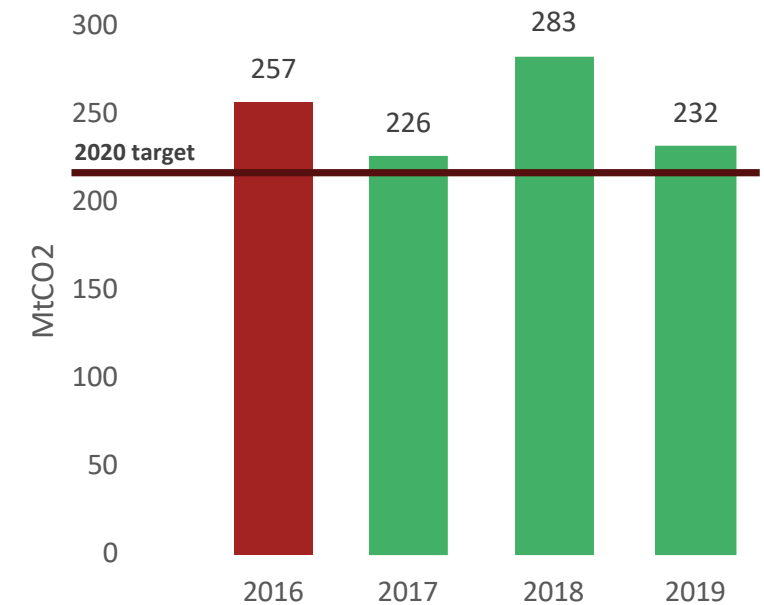
Emissions

As we strive to reduce our environmental footprint, DAMRON will be cognizant of the effect this will have on the greenhouse gas emissions related to our operations. As a company that depends on a healthy environment to grow our tea leaves, it is essential that we do what we can to mitigate our own contributions to climate change.

In 2018, DAMRON compiled utility, water, and production data to establish baselines for 2016 and to guide a path towards our 2020 goals. The data collection has now been a continuous process and allows DAMRON to make decisions on sustainability projects based on their overall impact on energy, waste, and water. This also enables DAMRON to understand the emissions reduction effect of potential projects and has led us to the initial phases of our next project, the addition of solar panels to our roof.

A solar panel project is currently being investigated for our Chicago location and would generate a significant amount of the electricity required for our operations while also reducing the amount of emissions associated with our energy portfolio.

Greenhouse Gas Emissions



Our Family

Very few things continue to bring people together globally as tea. As a family-owned business rooted in the community, our success is due to the love and commitment of those around us. We have never forgotten the transformative potential of bringing people together. DAMRON has continued to ensure that as it grows it continues to stay true to the social covenant that has enabled their success.

Employee Benefits

All DAMRON employees from production line workers to entry level wage earners benefit from profit sharing, health and dental insurance, career advancement training and education, and vacation time. Along with our standard benefits, full-time employees benefit from profit sharing as well. Over 50% of our staff has been with the DAMRON family for over 20 years; this is a testament of the employee benefits at DAMRON.



Community Engagement

DAMRON is proud to be part of a thriving business in Chicago and goes above and beyond to give back to the community that it calls home! In 2018 alone, DAMRON contributed over \$22,000 to local nonprofits. One of these organizations include North Lawndale Employment, assisting North Lawndale residents through innovative employment initiatives that lead to economic advancement and an improved quality of life. Our commitment to the community goes beyond financial contributions. DAMRON participates in the U-Turn Permitted program that provides readiness training for men and women who have a felony background. Most recently, Curtis Butler, a graduate of the U-Turn program and seven year member of the DAMRON Family, was recognized with the Robert Steele Creating a Community That Works award.

Moving Forward

Since our inception over 35 years ago, DAMRON has continued to serve through constant innovation and sustained growth. DAMRON looks forward to continue to build on its 2019 success and reach towards meeting its 2020 goals.

Specifically, we look forward to meeting our natural gas reduction goal through a series of planned facility upgrades.

DAMRON will be committed to developing and implementing new and greater sustainable efforts to ensure we are always conscious of our Social, Economic and Environmental impact on our company, our employees and the communities we serve.

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