# STATEMENT OF THE BOARD OF DIRECTORS OF TRADITIONAL MEDICINALS, INC.,

## a California benefit corporation

## REGARDING THE FISCAL YEAR 2023 ANNUAL BENEFIT REPORT

Traditional Medicinals (TM) is committed to sourcing and producing high quality herbal medicine, advancing social justice, promoting environmental activism, and prioritizing sustainability for all stakeholders. The Board of Directors has reviewed TM's 2023 annual benefit report. A few examples of TM's benefit impacts in fiscal year 2023 include:

## Supply Chain and Social Business Investments

At Traditional Medicinals (TM), our purpose is the foundation of all we do. We approach each part of our business with care: the plants that become ingredients in our teas to the people and communities who forage and harvest them, the local and global ecosystems that create conditions for the plants to grow, and the employees, partners, and suppliers who connect our source communities with the consumers who purchase and brew our teas. We consistently strive to create a positive impact and to prioritize people, our products, and our planet over profit.

In the 2023 Fiscal Year (FY23), TM continued evaluating our impact in the world, looking at our purpose, vision, and mission. In FY23, TM classified over \$2.27 MM of our following investments as a social business and work within our supply chain:

## Source Community Project Highlights

We believe in our shared responsibility for improving the lives and livelihoods of our farmers and collectors. To stay accountable, we have pledged to:

- Support fair compensation and consistent opportunities for those who provide the plants we rely on.
- Uplift source communities by advancing equity, justice, living standards, and their ability to thrive.

Each year, we prioritize investment in Source Community Projects. We partner with local workers and organizations to design projects that improve sustainability, farming practices, and wellbeing. On the pages that follow, we share four projects that help fulfill our pledge.

### Healthcare for All, Abacá Farming Communities in the Philippines, Abacá Tea Filter Paper Theme: Living Standards

**Project:** Working with physicians, nurses, and midwives to train farm workers and community members on Bluetooth-enabled diagnostic equipment funded by the Traditional Medicinals Foundation.

**Impact:** To support these workers, we are partnering with La Conexión, an organization that supports underserved communities through volunteer expert clinicians, training, and ongoing clinical telemedicine support. Together, we visited Catanduanes in May 2023, meeting with local physicians to learn more about their approach, challenges, and resources. We provided kits filled with medical measurement equipment and an iPad, so they can read and store medical records while delivering care in the field.

La Conexión's volunteer physicians can tap into their global network of specialists, and quickly provide guidance on referrals—so when a specialist is on Catanduanes, the patient is ready for the next level of care. The volunteer physicians have committed to two years of support—both through return visits and ongoing virtual consultation, with the second visit in February 2024.

### Protecting Biodiversity and Cultivating Economic Opportunity for Appalachians

Theme: Biodiversity Conservation & Capacity Building

**Project:** A biodiversity hotspot, the U.S. Appalachian Mountains are home to more than 6,000 plant species including Slippery Elm, a key ingredient in our Throat Coat<sup>®</sup> teas. As with all wild medicinal herbs, the long-term sustainability of these incredible plants depends on responsible harvesting practices. Appalachian Sustainable Development (ASD) is an organization on a mission to create a thriving regional food and agriculture system that creates healthy communities, respects the planet, and cultivates profitable opportunities for Appalachians.

In partnership with Virginia Tech, ASD piloted Point of Harvest, a workforce development program that offers free training to wild harvesters and buyers of woodland roots, barks, and herbs.

#### Impact Goals:

With topics that include sustainable harvesting practices, post-harvest handling, processing, and safety measures, the program enhances skills and knowledge to ensure wild harvesters practice their craft in a way the preserves the forest botanicals for generations to come.

The project is not only about conserving the environment—it fosters economic opportunities and preserves the region's cultural heritage. Through ASD's Appalachian Harvest Herb Hub, trained harvesters gain access to fair wage markets for botanicals. As of FY23, 74 people have earned certification through the Point of Harvest program, signifying to purchasers that their botanicals are high quality and sustainably gathered.

#### Lowering Emissions through the Power of the Sun

Themes: Renewable Energy, Resilience, & Capacity Building

**Project:** Martin Bauer, a Traditional Medicinals supplier, works closely with a family-owned producer, to supply a variety of herbs—from anise and chamomile to fennel, fenugreek, lemongrass, moringa, peppermint, and spearmint.

In recent years, we have purchased Fair Trade chamomile from their Baharia farm in central Egypt. Given Baharia's desert climate, the chamomile fields require significant amounts of irrigated water—delivered through pumps that rely on diesel fuel.

In 2022, a University of Hohenheim research team completed a feasibility study to explore ways to reduce the environmental impacts of irrigation at the Baharia farm. Given its desert location, Baharia

receives a lot of sun, making it an ideal candidate for photovoltaically driven pumps. The research team recommended transitioning to a hybrid system to reduce diesel fuel consumption and the associated carbon emissions.

Martin Bauer proposed a joint contribution project where they, Traditional Medicinals, and other companies would join forces to help lower the farm's emissions. In 2023, we made our first investment in the project, and we are tracking progress and improvements to determine whether we will expand that investment.

Impact Goals: The project is expected to reduce emissions by 460 MTCO<sub>2</sub> each year.

### Economic Empowerment: Egypt, Fair Trade Chamomile

Themes: Living Standards, Equity, & Capacity Building

**Project:** Since 2020, we have supported fair trade farming communities in Egypt, focusing on health, literacy, and entrepreneurship for women, and our progress continued in FY23

Impact:

- **2,300** women were educated on maternal and child health. The education sessions aimed to raise their awareness of proper nutrition, methods to prevent communicable diseases, and reproductive health.
- **400** women completed the economic empowerment program, receiving training on management, pricing, and marketing strategies to scale their business projects. Distinguished participants earned start-up grants. For added visibility, their projects will be showcased at an exhibit in their villages.
- **75** women participated in literacy and numeracy training, opening the door to economic opportunity and empowerment.
- **20** Village Savings and Loan Associations were founded. The Associations provide community members access to affordable loans and allow the community to self-manage collective funds.

While this project is ending in 2024, it has emphasized the transfer of knowledge from the start—planting seeds so the impact will empower women far into the future.

## Voluntary Standards and Industry Investments

TM tea drinkers contributed to premium payments to fair and organic producers, 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 of \$174,244 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 \$2,274,386 for our Social Responsibility department, including all contributions, programming, memberships, and reporting.

### Traditional Medicinals Foundation

Founded in 2008, the Traditional Medicinals Foundation was formed to invest in social initiatives in source communities. It supported farmers and wild harvesters who nurture medicinal plants around the world through projects that address fundamental issues of food and water security, healthcare, education, and women's empowerment. This important work is now funded by our company, rather than the Foundation.

That shift opened the door to a new strategic vision for the Foundation. We are proud to mark fifteen years of the Foundation with a renewed mission: **helping people live consciously connected to nature.** As part of that mission, we connect our Foundation giving to two core pillars:

- **Supporting Medicine Makers:** Making herbal education accessible for all through sponsorships and grants that remove barriers and open new pathways for livelihoods.
- **Conservation & Connection**: Fostering a mindset of stewardship and love of the land through interacting with nature and conserving resources.

In FY23, The Traditional Medicinals Foundation continued to support programs in Sonoma County. In addition to \$10,000 non-restricted grant funding, the following nonprofit partners received product donations and partnered with TM employees for unique opportunities for volunteering, including group, individual, and skills based.

- The Botanical Bus
- Ceres Community Project
- Community Action Partnership
- LandPaths
- Redwood Empire Food Bank

**Community Action Partnership of Sonoma County (CAP):** TM used team members' expertise to design and restore the garden at Sloan House, serving women and children in need of short-term shelter. The garden will provide year-round fruits, vegetables, herbs, and flowers to the residents.

**Botanical Bus:** TMF is partnering with the Botanical Bus to launch a new Healing Harvest Program. Through the program, TMF is funding the purchase of land shares at Green Valley Mill + Farm where more than 100 varietals of medicinal herbs are being grown, and co-investment in an on-site herb dryer. Exclusive access is given to Botanical Bus Promotoras, or Community Health Care Workers, the Indigenous and Latinx women who give their time and herbal wisdom to the community. The shares provide a source of herbs for personal practice and distribution at farmworker clinics, a space for learning and sharing plant wisdom and sustainability practice, and fund part time employment for a Promotora.

**Ceres:** Grant funding from TMF went towards the food and packaging costs to prepare 3,450 organic, whole food meals providing weekly nourishment to 30 medically fragile, low-income clients for an average of 16 weeks. In FY23, TM employees participated in multiple volunteer events at the Ceres Community Garden in Sebastopol, supporting the garden transfer project and harvesting needs.

**LandPaths:** With funding from TMF, LandPaths continued to lead outdoor youth programs and restore wildlands impacted by fires in Sonoma County. TM employees participated in multiple volunteer events supporting fire mitigation efforts at the Rancho Mark West preserve in Santa Rosa and the Bohemia Ecological Preserve near Occidental.

**Redwood Empire Food Bank:** In FY23, TM employees have participated in volunteering with group and individual volunteer opportunities. Employees also deferred their Thanksgiving Donation, with a matching donation from TM, resulting in an additional \$10,500.

In addition, after a break of several years due to the pandemic, our employees, friends, and family members were thrilled to gather again in-person for our FY23 Volunteer Day, a day of service. Partnering with five Sonoma County nonprofits, our volunteers completed seven service projects.

## **Product Donations**

In FY23, we continued our product donation program supporting nonprofit and community partners across the US. Examples of some of our contributions included Mother's Milk to aid nursing and expectant mothers after the devastating Maui wildfires in August 2023, tea for care packages being sent to breast cancer patients, stocking wellness centers at schools and health departments, and supporting herbal conferences and events.

In FY23, we donated:

• 1,246,445 Bags of tea

### **B** Corp Certification

Traditional Medicinals has held B Corp certification since 2010. We are strong backers of the B Corp movement, which benefits our business in many ways.

We go through the recertification process every three years, most recently in 2021-22 when we scored 115.8, well above the required threshold of 80 points. While we saw improvements in the Workers, Environment, and Customers categories, our Community score decreased.

We are specifically addressing the Community area by increasing our number of fair certified purchases, strengthening our sourcing relationships, and continuing our direct investment in source communities. Although we have long prioritized ethical sourcing practices and community investment, our increased focus on purchases of fair certified herbs provides a verifiable record that B Lab can use to confirm that fair practices are in place.

As part of the ongoing evolution of the certification program, B Corp is revising its standard document, which was last updated in 2019. Traditional Medicinals submitted suggestions via open feedback sessions, and we have participated in focus groups to support the revision process. As B Corp grows the number of certified companies, we are working to ensure that certification continues to uphold high standards and require demonstrated, verifiable progress. In the meantime, we are actively working to implement new practices ahead of our next certification cycle, slated to begin in 2025.

#### Organic Agriculture and Wild Collection

TM continues to support biodiversity through its sourcing practices. In FY23, TM procured 2.982 million pounds of certified organic herbs, and this volume represents 99.7% of purchased herbs.

#### Fair for Life Certification

Since our inception, we have advocated for fair and ethical trade relationships across our supply chain, advising on the creation of the FairWild standard and marketing the first FairWild-labeled herbal products in 2009.

Fair certifications go beyond organic certification—not only focusing on environmental sustainability but also addressing social and economic factors. While organic certification emphasizes natural farming methods, fair certifications include considerations for wage equity, worker health and safety, and community development. When we source fair material, we pay a premium that supports a living wage for farmers and collectors and funds community needs.

While we are proud of our role to date, we are aiming higher toward a supply chain that is less extractive and more regenerative. **We have set an ambitious goal: to source 80% fair volume by 2030**, and to get there, we rely on fair trade standards---including FairTrade USA, Fairtrade International, Fair Wild, and most recently, Fair for Life.

In FY23, fair certified purchases represented 30.9% of our total herb volume (924,088 lbs.), an increase from 26.6% in FY22. We also increased the number of species that we source from fair-certified producers from 10 to 23.

We still have work to do to meet our goal, and we face challenges, including climate change, diminished habitats, global economic instability, and loss of ancestral knowledge within herbal traditions. Knowing that our success is dependent on the health of the planet and the wellbeing of our farming and collecting partners around the globe, we are even more dedicated to our mission, values, and vision.

#### **Carbon Offsets**

The Traditional Medicinals production facility runs on local renewable power to minimize our carbon footprint at home. In FY23, we purchased 2013MT 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.

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

To maintain our status as a certified TRUE Zero Waste facility, we are required to divert 90% of our waste away from landfill. In FY23, we struggled to maintain an average diversion rate of over 90% throughout the fiscal year. Instead, we averaged roughly 86% diversion throughout FY23, which caused TRUE Zero to classify our certification status as 'not current'. Certification must be resubmitted every three years, with FY24 being our first recertification year.

To prepare for our upcoming recertification and comply with the TRUE Zero Waste certification requirements, we will work to improve existing practices and identify new waste diversion streams. These efforts include:

• Diverting scrap compostable OW production waste to our local industrial composter, Napa Recycling, setting us up to significantly improve our diversion rate.

- Establishing a new diversion stream of scrap herbs (herbs that are rejected due to quality, contamination, or infestation concerns) to Headwaters Farm. Headwaters farm is a recently established 25-acre regenerative farm located adjacent to our SOMO Village headquarters.
- Working to identify unnecessary packaging components, then creating plans for reducing or eliminating these materials.

TM uses the B Corp 'B Impact Assessment' (BIA) for certification and analysis, with a 2022 audited score of 115.1.

After careful review and analysis, it is the Board's opinion that the Benefit Corporation pursued its general purpose during the period covered by the report. In accordance with California Corporations Code §14621, the undersigned directors of the Benefit Corporation have executed this statement as of the date first set forth above.

STATEMENT TO BE REVIEWED AND RATIFIED February 2023

DIRECTORS:

Drake Sadler

Katie Huggins

John Elstrott

Mark Retzloff

Tripp Baird

Stephen Hohenrieder