Sourcing

Introduction

One of our first and most concentrated areas of focus as we began the process of building a sustainability program was sourcing. As an early advocate of organic agriculture, we have long been concerned with the environmental and social impact of producing the botanicals we sell. We expanded our sourcing initiatives to include formalized programs for identifying, developing and encouraging suppliers to move towards sustainable production. There are four major initiatives in this area: 1) using Fair Trade Certified™ products when possible, 2) implementing our own ethical sourcing program, Well Earth™, 3) setting minimum standards for suppliers who don't fall into either of these categories and 4) encouraging conversion to organic production methods. We also encourage the sustainable practice of organic agriculture and production across all of the botanical materials we use by carrying the organic form of a product when possible.

Fair Trade

Fair Trade certification for products we purchase is approved by Transfair USA, one of 20 members of Fairtrade Labeling Organizations International. We support the principles of Fair Trade and add line-appropriate Fair Trade certified products whenever they are available. Fair Trade Certification is currently available in the U.S. for coffee, tea, herbs, cocoa, fresh fruit, sugar, rice, and vanilla. We offer organic Fair Trade bulk and packaged loose-leaf teas and Fair Trade vanilla extract and flavors—and use Fair Trade cocoa powder, sugar, and cocoa in our baking mixes and cocoa mix. We have a continuing commitment to support Fair Trade by using Fair Trade ingredients whenever possible.

Well Earth

We have developed our own program of sustainable and ethical sourcing called Well Earth. Well Earth serves two very important purposes for us. First, it is a mechanism to find and develop sources that can become Fair Trade certified. Second, it allows us to develop ethical and sustainable sources of high quality products outside the parameters of Fair Trade—such as domestic and non-third world suppliers. We began developing the concept of Well Earth in 2006 and launched it in 2007. We have three Well Earth suppliers and will add more each year.

Our purchasers, through conversations and on-site visits, identify potential Well Earth partners who meet the program standards and who are committed to working towards sustainability. Potential Well Earth partners complete an extensive application, and there is

at least one on-site inspection before certification. Each Well Earth supplier candidate is evaluated in these five areas: worker safety and fair treatment, sustainable growing and production practices, environmental impact, social and community impact, and food safety and quality.

For more information about Frontier's Well Earth program, including standards, questionnaire and evaluation criteria, see *www.frontiercoop.com/wellearth.*

2008 Goal: Develop and approve new Well Earth Suppliers.

Two-year Goal: Document that all suppliers are in compliance with human rights and environmental regulations.

Biodiversity

Our diverse botanical materials are grown all over the world. With approximately 900 botanical raw materials from every continent except Antarctica, we have the opportunity to make an impact around the world. Most of them are cultivated but there are still a number of herbs that are harvested from the wild – wild crafting or wild harvesting – and it is our responsibility to insure that these plants are harvested sustainably.

Three-year Goal: Verify sustainability of wild-harvested botanicals & pursue solutions for any that are not sustainable.

In 1996 we established The National Center for the Preservation of Medicinal Herbs in Ohio to research organic cultivation of woodland medicinal herbs. The Center was the counterpart to our own Frontier Organic Research Farm which did similar work on non-woodland herbs. The Center continues to be operated by Rural Action (see Community section). We ceased operation of our research farm after finding it was more cost effective to support other organizations conducting organic research and working for the preservation of wild plants. These organizations include United Plant Savers, Organic Farming and Research Foundation, and Seed Savers.

We see our involvement with and strong support of organic agriculture as our primary method of protecting biodiversity. According to a 23-year Rodale Institute Farming System trial, organic agriculture produces significantly less greenhouse gas emissions than non-organic agriculture and sequesters carbon in both soils and biomass. We estimate that 29% of the agricultural land used to grow botanicals for us is certified organic, a number that increases each year. One percent of sales of our Simply Organic line supports organic agriculture—including education, infrastructure development and research. In addition, we are actively involved in converting many of our products and our suppliers to certified organic status. We recognize our business contributes directly and indirectly to producing greenhouse gases that accelerate climate change and we see organic agriculture as one of the important ways we can have a positive impact. *(See sections on facilities, site and operations for more ways we are trying to reduce our impact.)*

Sandalwood

For 25 years, Aura Cacia sold Indian sandalwood essential oil. Several years ago, we became concerned about the long-term sustainability of this botanical. Even though the Indian government had strict standards in place, the inability to either enforce the standards or prevent poaching was threatening the sustainability of sandalwood forests. We briefly participated in a sustainably managed essential oil project in Indonesia, but when that was terminated, we were faced with going back to India or finding a new source. We were able to find a lesser-known species from Australia, which our investigation showed was the only sustainable source currently available.

For our complete report on sandalwood sustainability, go to *www.auracacia.com/auracacia/aclearn/features/sandalwood4.html*

Organic Production

We have made it a company objective to convert farmers, customers and consumers to organic products. On the marketing side, we set a growth goal each year to increase organic sales as a percentage of overall sales of manufactured

items. In 2006 we were at 39.6% organic sales and we ended 2007 at 44%.

On the sourcing side, we look at the amount of materials that we can convert to certified organic and the amount of organic acres these botanical represent. Over 29% of the land used to produce our products is certified organic and our goal is to increase this percentage every year.

Organic Production	
Organic Pounds Purchased	1,879,010
Acres of Organic Production	6,760
% Organic of Total Acres	29.2%

Our purchasers seek out both organic farmers and those who are not yet organic, but have demonstrated interest in pursuing certification. We assist where we can with information and resources to help producers become certified organic. The support we give for organic agriculture research, such as with Rural Action and Organic Farming Research Foundation (see Community section) helps organic agriculture grow and become more successful. This will continue to be a focus of grants from our Simply Organic farming fund. (See "Simply Organic Donations" in the Community section.)

We view the growth in the use of genetically engineered (GE) crops around the world and continued development of new GE crops as a significant threat to organic agriculture, biodiversity and food security. We support a moratorium on introducing any new GE crops and the labeling of consumer products with GE ingredients. Because of the lack of segregation and the difficulty and cost of testing for GE ingredients, we do not label our products at this time, but instead focus on eliminating GE ingredients from our products by replacing them with organic ingredients.

Impact of Climate Change

A significant portion of our raw materials come from overseas. Climate change poses the risk that rising costs of fuel and offsets of the environmental costs of transportation will result in increased raw material costs and more competition from locally produced products.

Most of the products we sell cannot be locally or even domestically produced—spices such as cloves, black and white pepper, nutmeg and ginger, essential oils such as frankincense and sandalwood and black and green teas. But some that could be are not currently grown here. Five and ten years ago a number of crops were grown in the U.S. that are no longer grown here in adequate quantities, such as garlic, onion, peppermint and nettles. That's because, in the past, many of the herbs and spice growers in the U.S. were able to compete with cheaper overseas supplies because they were of much better quality. But as foreign sources improved the quality of their products, demand decreased for domestic products and many American farmers stopped growing them. There could be opportunities as fuel prices rise for domestic farmers to start growing more herb and spice crops. However, we are already seeing competition with bio-fuel crops among farmers currently producing organic botanicals. Through our sourcing efforts, our Well Earth program, and our support for organic agriculture, we hope to have a positive impact on reducing emissions that accelerate climate change.

2009 Goal: Conduct a systematic analysis of the climate change risks and opportunities to our business.