

Business Profile & Report Overview

The Food Co-op is a natural foods retail cooperative grocery store operating on the Olympic Peninsula in Washington State. We have been in business for 45 years, are owned by approximately 6,400 members, governed by a board of directors and employ approximately 98 people. We own & operate one store with additional space being rented for administrative offices, and meeting rooms.

For many years we have recognized that our facility was overcrowded and working conditions were far from ideal. Finding a solution to this long term issue was even called out in our strategic plan created in 2012. The solution was less than clear, so during the past 5 years we have conducted member forums, a member survey, a market assessment and a financial feasibility study. Finally in mid-2016 The Food Co-op board and management made the decision to stay in our current location and expand our facility to meet the growing needs of staff and members.

Since that time, we have been working on how exactly we will accomplish this expansion on our limited budget. We have contracted with the Development Co-op (a wholly owned subsidiary of the National Cooperative Grocers) to help us create solutions to the identified challenges. Currently, we anticipate breaking ground in late 2017 and completing the project (a 3,000 SF addition and an interior update) sometime in mid-2018. Knowing this has made it that much more complicated to set goals for both fiscal year 2017 and fiscal year 2018—how exactly will the expansion impact our sustainability? We anticipate that new equipment will be more energy efficient, but how much more energy savings will we see?

We are committed to continuous improvement and, wherever appropriate, to mitigating our impact on the environment, whether by purchasing carbon offsets, reducing our consumption, or reusing and recycling whenever we can. However, measurable goals are hard to quantify. Additionally, with our efforts primarily oriented towards this modest expansion, we are limited in our capacity to think about our long-term effect on the environment. Regardless, we have set ourselves goals and will endeavor to attain them whenever possible.

Organizational Framework

To set a framework for common metrics, the Sustainable Food Trade Association (SFTA) identified eleven key areas of sustainability, which we used to organize our report:

- | | | |
|-------------------------------|--------------------------|---------------------------------------|
| 1. Organics | 5. Water Use & Quality | 9. Animal Care |
| 2. Distribution & Sourcing | 6. Solid Waste Reduction | 10. Sustainability Education |
| 3. Energy Use | 7. Packaging & Marketing | 11. Governance & Community Engagement |
| 4. Climate Change & Emissions | 8. Labor | |

The General Manager collects data quarterly from the management team through an internal reporting template. The Food Co-op of Port Townsend, Washington, became a member of the SFTA in 2012, and this is our fifth annual member report.

Part of The Food Co-op's vision is that “our operations will be environmentally sustainable for the benefit of our members, community, and the planet,” and we call out this objective in our strategic plan as a long-range goal: We will “continue to improve the environmental sustainability of our operations.”

Additionally, in 2008 we crafted a set of operating principles similar to those 11 operating areas:

The Food Co-op Principles

In the spirit of this cooperative endeavor, we affirm and promote our mission by our principles:

- Providing healthful, environmentally responsible, and socially accountable food, products, packaging, nutritional information, and education.
- Functioning as a member-owned cooperative, using a broad range of opportunities for member volunteerism, participation, and involvement.
- Creating a model for economic, social, and environmental justice, sustainability, democracy, and integrity.
- Generating an engaging workplace through the cultivation of the principles of trust, fairness, transparency, democracy, and cooperation.
- Supporting local farmers and the development of regional food production systems and emphasizing seasonal availability of local and regional products.
- Operating in a transparent fashion to engender trust in all aspects of cooperative governance and operations so that member votes, opinions, and concerns are heard and weighted fully.

Normalization Metrics

i.e. numbers we use to put metrics in context

Total Annual Revenue FY 2016	Total Sq. Ft.	Store Sq. Ft.	Clay St. Sq. Ft.	Lawrence St. Sq. Ft.
\$14,430	15,491	12,405	1,800	1,286

1. Organics

Policies, Guidelines, and Practices

- Our members will be knowledgeable about the products they consume, the connection between food choices and personal health, and environmentally sustainable practices—Policy A5 of TFC Policy Register (revised 2013).
- We will be the market of choice for our community to access local, organic, and non-GMO products—Policy A1 of TFC Policy Register (revised 2013).

The Food Co-op, located in Port Townsend, Washington, sources organic products whenever they are available and it is economically feasible to do so. Additionally, we direct our buyers to use our internal guidelines, “Products We Choose to Carry” (Page 27), when sourcing new items for the store. As a result of our dedication to providing GMO-free and certified organic products, The Co-op serves as the primary source of organic foods and products for east Jefferson County in Washington State, giving traction to our goal of being the “market of choice for local, organic, and non-GMO products.”

Our produce department stocks almost exclusively certified organic fruits, vegetables, herbs, and fungi, and in 2007 it became the first produce department to be certified organic by the Washington State Department of Agriculture. Ten years later, we are still the only certified organic produce department on the Olympic Peninsula.

In 2016 the sales of organic products in the store rose to \$6,297,592, an increase of 6% over 2015 sales, although as a percentage of total store sales it was only half a percent more than the previous year. We continue to promote organic goods and look for more new products whenever possible. Also, we sign any products that we suspect may contain GMOs at the shelf and continue to monitor sales of those items while looking for replacements. We do see more producers voluntarily labeling products that contain GMOs and applaud those efforts, but we see “certified organic” as the gold standard and prefer to select those items for sale.

For the metrics below, “organic” is defined as including all three tiers of the USDA’s organic definition: containing 100%, 95%, or 70% certified organic ingredients, except for produce, which is either certified organic or nonorganic.

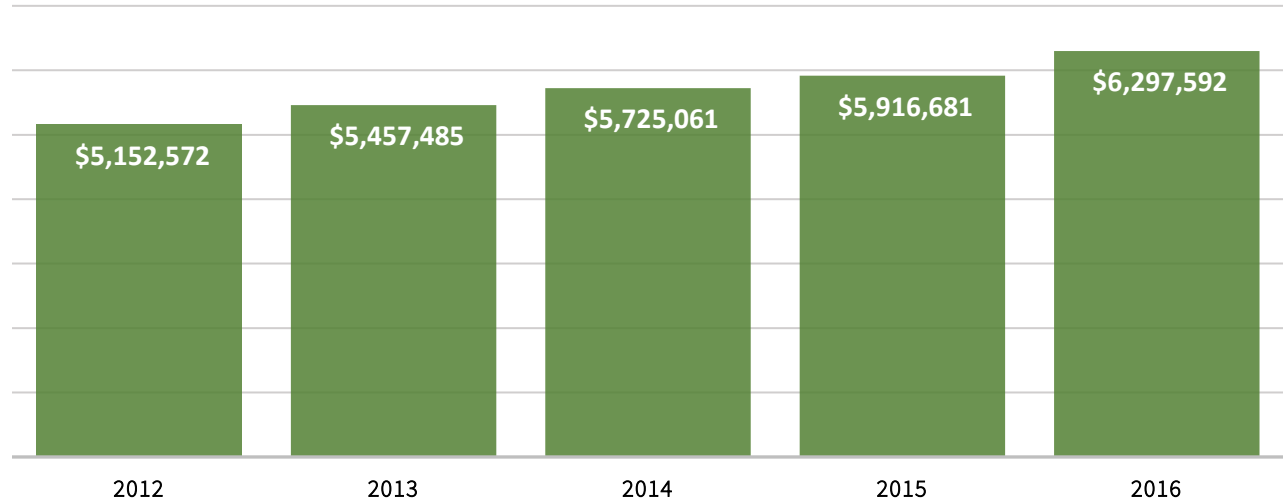
We have seen sales growth of organics trend upwards 22.22% over the past 5 years—fully in keeping with overall store sales growth, while department mix has shifted slightly depending on availability of certain items. Our commitment to locally sourced items also affects this goal, since not all local products are certified organic.

Our goal for 2016 was to exceed \$6 million in sales of certified organically grown product, and we exceeded that goal.

Fiscal Year 2017 Organics Goal

1. Exceed \$6.5 million in sales of certified organically grown goods.

5 Years Sales Trend of Organic Products



Organic % of sales	2012	2013	2014	2015	2016
Produce	96.6 %	97.5 %	96.3 %	96.3 %	96.9 %
Grocery	48.2 %	47.9 %	47.9 %	48.3 %	50.2 %
Refrigerated/Frozen	51.1 %	48 %	49.8 %	51 %	50.2 %
Bulk	56.1 %	59 %	59.7 %	61 %	65 %
Meat & Cheese	12.6 %	15.1 %	16 %	16 %	17 %
Beer & Wine	4.8 %	10.6 %	6.8 %	4.8 %	6 %
Supplements & Personal Care	6 %	5 %	6.1 %	6 %	6 %

2. Distribution & Sourcing

Policies, Guidelines, and Practices

- Support local farmers and producers with information and assistance to meet the growing demand for local products—Five-Year Strategic Plan.
- Give preference to those products grown or produced by small-scale enterprises and to those grown or produced locally and regionally—from “Products We Choose to Carry”.
- A vibrant local and regional food system will provide our community with a year-round supply of food sold at prices that are fair to both consumers and producers—Policy A2 TFC Policy Register (revised 2013).

The Co-op currently defines "local" as grown or produced within the five counties adjacent to and including our own—Jefferson, Clallam, Island, Kitsap, and Mason counties—and we use a capital “L” as the local logo. Although we source from surrounding counties, over 77% of our local purchases are sourced from our own county, Jefferson. The Co-op also distinguishes items grown or produced in Washington State (WA) outside the five-county local area with an “L-WA” label, which helps members and consumers identify the extending spheres of local and regional production.

In 2013 The Co-op added a full-time staff position titled “Local Cultivator,” with the goal of building our local food system through developing local producers in our community. In early 2017 our local cultivator retired, and we advanced our thinking to embrace the concept that all of our staff who buy locally-produced items are our local cultivators. This team of local buyers meets quarterly to discuss the opportunities and challenges of working with local vendors, to identify solutions, and to inspire each other to increase our local impact.

The Food Co-op’s long-range strategic plan includes the aspiration to “actively *collaborate* in local and regional food system development; *build* community food security by increasing diversity and quantity of local; *strengthen* our own capacity as a buyer and seller of regional products.”

As a result of our efforts in those areas, we have seen the following growth in local purchases:

- From 2011 to 2016 our purchases from local farms and producers increased 38%, while store sales grew 28%.
- In 2004 we bought from 122 local farmers and producers, and by 2016 that number had risen to 134.
- In 2004 we paid that same group \$541,671, and by 2016 that amount had grown to \$1,171,040, an increase of 116%.

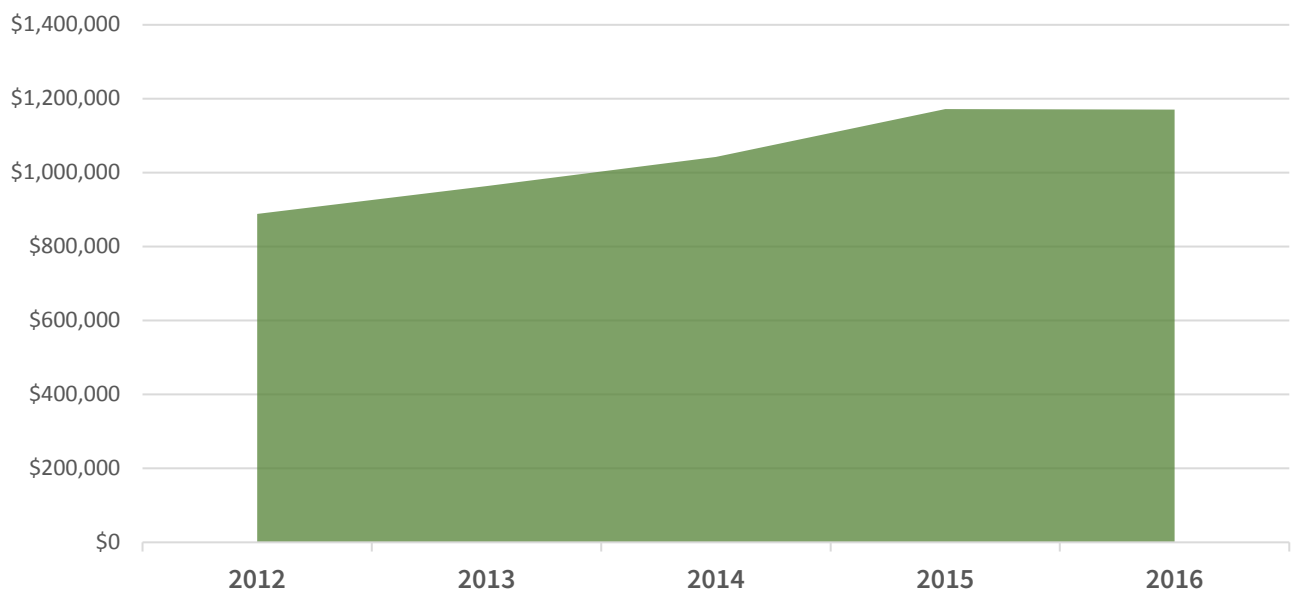
Variety of Local Products

*SKU is a stock keeping unit

# of unique products	2012	2013	2014	2015	2016
Local SKU's	637	657	743	764	778
WA SKU's	685	939	1,089	1,053	1,192

So, while the number of local vendors we buy from increased by almost 10% over the past 12 years, their capacity to produce and sell food and goods to The Co-op has dramatically increased by 116%.

Total Purchases Directly from Local Farmers & Producers



In 2015, we surveyed local restaurants and institutions about their interest in buying more local food wholesale. The survey indicated that while the interest was there, the barriers to purchasing were as we had heard—primarily cost and convenience. However, we noted that the amount of local purchasing by two key institutions, the hospital and the school district, had the potential to offer a greater impact, and they became the basis for fulfilling our goals.

Our goals for 2016 were:

- Work with institutions to increase purchases of locally produced goods.
- Continue to look for ways we can strengthen the local food system.

We worked with those institutions and looked for common items that we could buy as a group, but we were unable to resolve the difficulties inherent in working with institutions which use a variety of conflicting systems for purchasing and paying for product. The hospital uses a voucher system while the school uses government funds. At this time, there are no metrics to measure our impact.

We also continued to look for other opportunities to strengthen the local food system. At a farmer "thank you" event we held (March 2017), we dug a little deeper into the challenges and opportunities for our local producers. As in previous discussions, we heard from farmers that finding "more eaters" was critical, whether accomplished through education or marketing. Thus the idea of a community-wide "Eat Local First" campaign was born and explored. Currently, the concept has been tabled until after our expansion/remodel project is launched, when we can provide leadership for a county-wide marketing campaign.

Fiscal Year 2017 Distribution & Sourcing Goals

1. Collaborate with key stakeholders (such as The Jefferson County Farmers Market) to fund and develop an "Eat Local First" campaign, to be launched in 2018.
2. Work with staff to grow purchases of locally produced goods by asking buyers to choose one goal per quarter that is realistic, and which can help us reach our store goal of exceeding \$1.2 million in local sales.
3. Add a line item to register receipts reflecting dollars spent on local goods.

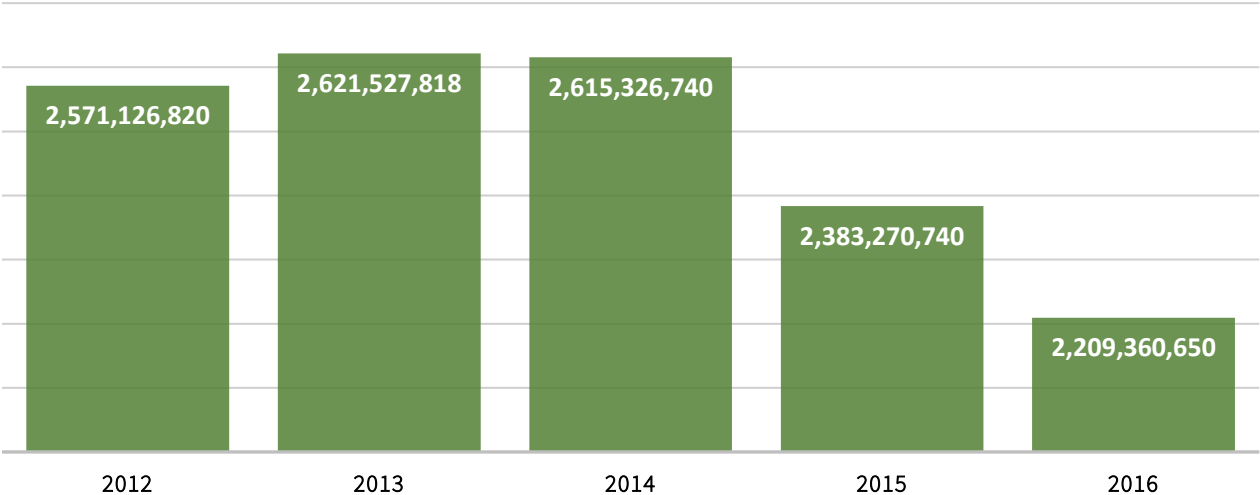
3. Energy Use

Policies, Guidelines, and Practices

- Improve our energy efficiency—Five-Year Strategic Plan.
- Our operations will be environmentally sustainable for the benefit of our members, community, and planet—Policy A4 TFC Policy register (revised 2013).

Reducing our energy use is part of our ethos here at the Food Co-op, as we strive to keep our BTUs (British Thermal Units) below 2.4 billion. In fiscal year 2016, we were able to do better than anticipated, and we dropped our BTU usage down to 2.2 billion, resulting in significant savings and reduced climate impact.

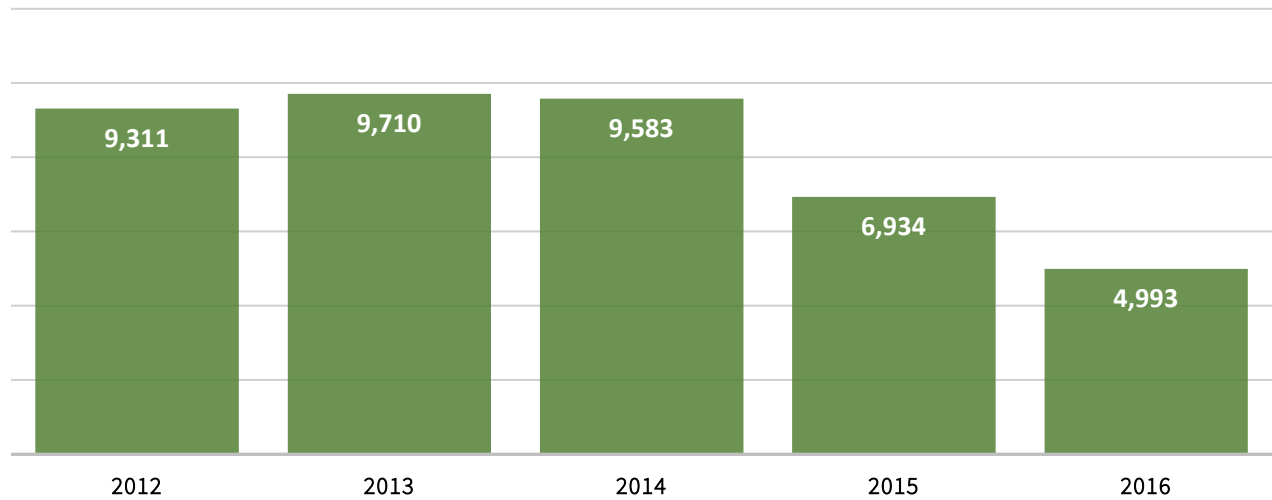
Total Annual Energy Use in BTUs



We credit this notable decrease in BTU usage to replacing another of our dated HVAC units (the third of four), which in turn reduced our propane usage by 28% for the second year in a row, even as we slightly increased our electrical consumption by 0.37%. Additionally, in 2016 we undertook a variety of small improvements to our equipment and lighting, all of which also contributed to reduced energy consumption.

Annual energy use	2012	2013	2014	2015	2016
Total use, BTUs	2,571,126,820	2,621,527,818	2,615,326,740	2,383,270,740	2,209,360,650
Normalized facility use per revenue, BTUs	233.74	218.46	201.18	173.76	153.11
Normalized facility use per sq. ft., BTUs	176,831	180,298	179,230	153,849	142,622

Gallons of Propane Purchased



Fiscal Year 2017 Energy Use Goals

1. Further reduce our reliance on propane by investing in another HVAC unit.
2. Offset Scope 1 emissions (propane) with RECs from PUR Project (discussed in section 4) to equal our 2016 emissions (37 tons).

4. Climate Change & Emissions

Policies, Guidelines, and Practices

- Minimize the negative environmental effects pertaining to our choice of products and, where there is a choice, select the least detrimental option—Products We Choose to Carry.
- Continue to improve the environmental sustainability of our operations—Long-Range Goal, Five-Year Strategic Plan.

The Food Co-op Policy Register (End A4, revised 2013) notes that *“Our operations will be environmentally sustainable for the benefit of our members, community, and planet.”* This policy is monitored and reported on by the general manager to the board of directors on an annual basis.

Green House Gas Emissions: Measuring our greenhouse gas emissions is one way to measure our environmental impact. There are three "scopes," defined in the following manner:

- Scope 1: Emissions from sources that the company owns, and which are burned on site—called “direct emissions” (for us that’s propane).
- Scope 2: Emissions that are a consequence of the operations of the company—called “indirect emissions” (in our case, emissions from generating the electricity we use).
- Scope 3: Indirect emissions that are not covered in Scope 2, such as waste that ends up in the landfill.

When reviewing the data in the following table, it looks like our Scope 2 emissions (electricity) dramatically increased in 2016. Further research shows that this was not actually the case—rather it reflects a change in the source of the electricity we use. The Jefferson County Public Utility District (PUD) tells us that there were several small changes in the makeup of energy they purchased from the Bonneville Power Administration (BPA), where the mix of wind, biomass, coal, hydro, nuclear, and "other" (repurchased from another system) changes annually. For electricity, the EPA makes estimates of the emission factors used in calculations regionally, which is based on the mix of sources used to produce electricity. Emission factors are the coefficients that estimate the amount of CO₂ released by an activity. These emission factors are updated roughly every two years. The most recent update applied to 2016, and included a jump in the emissions for our region, again reflecting that change in mix. The bottom line is that our increase in electricity emissions were due to factors beyond our control. Alternatively, by holding our electricity use steady, we mitigated against further emissions gains.

GHG Emissions (metric tons CO ₂ e)	FY 2014	FY 2015	FY 2016
Scope 1	58.91	60.88	36.23
Scope 2	196.44	155.58	215.61
Scope 3	25.48	64.81	46.62
Total	280.83	281.27	298.46

As many business do, we buy Renewable Energy Credits (RECs) from our local PUD and were again able to offset, as we have for the past 3 years, 50% of our electrical usage.

One goal for 2016 was to continue working with the EPA Green Chill program to identify additional opportunities to reduce our emissions. Based on that work (primarily the replacement of an outdated HVAC unit, which reduced our Scope 1 emissions), early indications are that once again—for the third year in a row—we were awarded the EPA Green Chill prize for the “Best Partners Emissions Rate.” Our company practices also garnered us a "sustainability star" from the National Cooperative Grocers (NCG), in recognition of our “role in creating positive sustainability impacts in 2016.”

Honors aside, we choose to make a difference because it is important to us. Earlier this year we published a piece in our newsletter noting that regardless of any changes in governmental support and political administrations, we remain committed to minimizing any negative impact we might have on the world. Reduce, reuse, and recycle were our original mantras, and still are.

New to us in 2016 was the ability to offset Scope 1 emissions (propane). The NCG, working with PUR Project, an offshoot of the fair-trade food company Alter Eco, created a carbon offset program to help slow climate change. Funds we gave were invested in the San Martin Bio Corridor, an old growth rainforest in the Peruvian Amazon rainforest, conserving between 700 and 1,000 mature trees per acre. Based on 2015 metrics, we opted to offset 60 tons of projected Scope 1 emissions, which in turn protected 2 hectares. Our Scope 1 rate dropped by 28% to only 36.23 tons in 2016.

Fiscal Year 2017 Climate Change & Emissions Goals

1. Offset Scope 1 emissions (propane) with RECs from PUR Project to equal our 2016 emissions (37 tons).
2. Offset Scope 2 emissions (electricity) with RECs from Jefferson County PUD equal to 50% of emissions in 2016.

5. Water Use & Quality

Policies, Guidelines, and Practices

- Our operations will be environmentally sustainable for the benefit of our members, community, and planet—Policy A4 of TFC Policy Register (revised 2013).

The Food Co-op, located on Townsend Bay, part of the Salish Sea, continues to look for ways we can reduce our water consumption. In 2016 we set a goal of keeping our water use at or below the 2015 level. As a result of our focus on usage, we were able to achieve that goal and even saw a slight reduction of 2%, even as our sales of water to consumers increased by 10%. Our facility team credits the decrease partly to an upgrade at the point-of-use hot water heaters at our handwashing stations and upgrades to our hot water mixing valves, both of which caused us to need to run less water to reach the right temperature.

Annual water use	2012	2013	2014	2015	2016
Total water consumed, gallons	665,000	720,000	839,000	749,000	737,000
Total filtered water sold, gallons	67,788	79,041	76,218	85,200	93,847
Filtered water sales %	10.2%	10.27%	9%	11%	13%
Normalized total water use per revenue, gallons	.057	.059	.064	.055	.051
Normalized total water use per sq. ft., gallons	45.74	49.52	57.7	48.35	47.58

Fiscal Year 2017 Water Use & Quality Goal

1. Maintain water usage at 2016 levels even as we grow our operations.

6. Solid waste reduction

Policies, Guidelines, and Practices

- Reduce our waste—Five-Year Strategic Plan.
- Our operations will be environmentally sustainable for the benefit of our members, community, and planet—Policy A4 of TFC Policy Register (revised 2013).

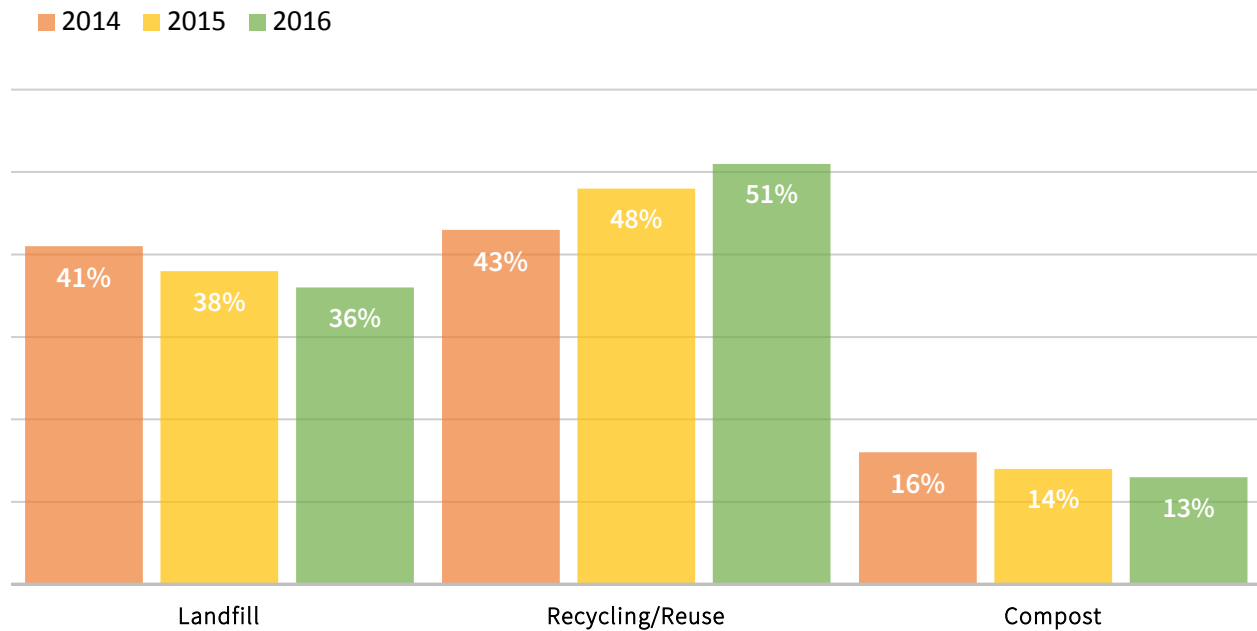
The Co-op continues to look for additional ways to minimize our waste as well as better understand its sources. One of our 2016 goals was to conduct at least one more waste audit, and we actually were able to conduct three: one at our administrative building, one at our training/meeting rooms, plus one more at the store (spring 2017). We noted that the pattern of waste at the store—mostly paper and plastic—changed over time as we began sending our plastic waste (clean and dry only, not contaminated) to Trex, a manufacturer of composite decking, via an agreement with our local Safeway. Not only were we able to divert about half of our plastic waste—mostly film and wrap—from the landfill, we were able to offer our customers an opportunity to use The Food Co-op as a drop-off location for their clean plastic waste. As a result of that change, the total amount of waste being diverted from the landfill, by weight, increased from 62 % to 64%.

The Food Co-op recycles or re-uses all of the corrugated cardboard it receives, unless contaminated by waste. Many of those boxes are put out for customer re-use either to pack groceries home in or for personal re-use. We only track cardboard that is picked up and taken to the local paper mill for recycling into paper board and, as that is done by volume through regulated pick-ups, that amount has held steady over the years.

100% of the degradable produce department waste is given to local farmers to turn into compost, and this program, managed by the users, has been very successful. What we aren't sure about is why our estimated compostable waste has decreased over the past three years. One reason may be the elimination of our juice bar in 2016. In 2017 we plan to re-evaluate our system for calculating compost weight.

New in 2016 was the addition of a food-waste program, collecting scraps from the dining room and food services to give to a local pig farmer. Our meat department now sends the pigs about 12 pounds of scraps per week, and our dining room collects and donates an additional 75 pounds per week, approximately.

Waste at The Food Co-op



Two of our waste challenges are waxed cardboard and contaminated paper. Without a commercial composter in Jefferson County, our options are limited. We do send our waxed cardboard back to farmers for re-use or mulching but find that only about three-quarters of what we receive weekly can be re-used and a quarter must be sent to the landfill. In 2016 our second goal was to work with the county to investigate opportunities for getting a commercial composting facility here in Jefferson County. The recently adopted Jefferson County Solid Waste Management Plan (September 2016) includes high-priority and medium-priority “organics recommendations” related to on-site food composting as well as diversion programs for commercial and residential food waste. The Public Health Department is a strong supporter of these initiatives and participates in the Solid Waste Advisory Committee. We are also working with The Jefferson County Farmers Market to address our needs for commercial composting of biodegradable waste such as paper cups, containers, and cutlery.

Fiscal Year 2017 Solid Waste Reduction Goals

1. Work with our Co-op "green team" members to more accurately assess estimated weight of compost going to farmers.
2. Increase amount of waste being diverted from the landfill to 65%.
3. Improve signage and stations for separating waste and recyclables in our dining room.
4. Work with community partners to address commercial composting needs in Jefferson County.

7. Packaging & Marketing Materials

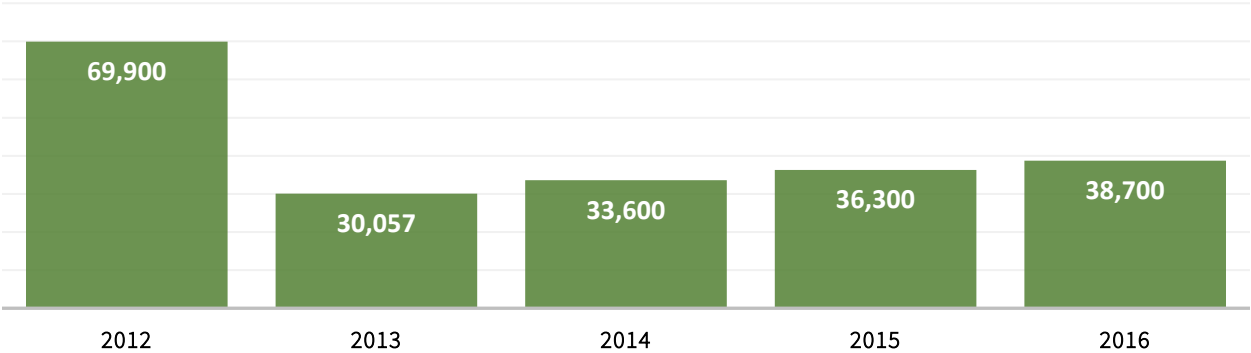
Policies, Guidelines, and Practices

- Our operations will be environmentally sustainable for the benefit of our members, community, and planet—Policy A4 of TFC Policy Register (revised 2013).
- Minimize the negative environmental effects pertaining to our choice of products and, where there is a choice, take the least detrimental option—Policy B5 of TFC Policy Register (revised 2014 to include "Products We Choose to Carry" description).

Our ethos continues to include being good stewards of our environment, and while our policies may be relatively loose, they still guide us to leave the planet better than we found it. Staff are constantly encouraged to explore ways we can improve, from reusing very small pieces of paper for notes to finding a way to recycle our plastic waste (while not a lot of weight, plastic by volume is significant). Every day in the store, we give 5 cents (either as cash or for a nonprofit) for every reused container or bag. We stock empty cardboard boxes for customers for reuse. We collect empty jars from customers, then sanitize, weigh, and put them out for reuse at no charge. Whenever possible, we use recycled paper for our new marketing materials. We collect all packaging supplies—Styrofoam peanuts, bubble wrap, etc. - and put it out for reuse by customers. The list of ways we re-use and recycle, both little and large, is lengthy, and we actively look for more ways we can keep the cycle flowing.

One metric we have been able to track over the past five years is our purchase (and mandated resale) of full-size handled paper grocery bags. The big drop in bag purchases in 2013 was due to the newly enacted county-wide ban on plastic bags that also required a 5 cent fee per paper bag. Since then the increase in bags bought and sold has kept pace with our sales growth.

Total Number of Full-Size Handle Paper Bags Ordered



Even before the plastic bag ban, we had a program for giving our shoppers a 5 cent refund for every bag or jar they reused, along with an option to take a bean instead. Those beans are collected and converted into cash—5 cents a bean—which is given to a variety of local nonprofits over the year in an award-winning program called "Beans for Bags." Nice to note, the total number of beans deposited in 2016 tipped over 205k!

Beans for Bags Program	2012	2013	2014	2015	2016
Total number of beans donated by shoppers	161,140	185,460	176,880	184,360	205,920
Total value of contributions since 2008	\$37,845	\$47,118	\$57,640	\$66,858	\$77,154

Our goal in 2016 was to generate \$10,000 for local nonprofit groups through the Beans for Bags program—and we exceeded that by \$296.

Our employee newsletter, *The Chatter Box*, was redesigned in 2016 to be paperless and is now posted on the computer-based employee logbook, OneNote.

Fiscal Year 2017 Packaging & Marketing Materials Goals

1. Promote "Beans for Bags" program to encourage greater consumer reuse of existing containers and bags.

8. Labor

Policies, Guidelines, and Practices

- The General Manager shall not treat staff in any way that is unfair, unsafe, unclear, or illegal—Policy B6 of TFC Policy Register (revised 2013).
- We will have a vibrant and engaged staff and board that use their expanding knowledge and skills to create a thriving workplace—Policy A3 of TFC Policy Register (revised 2013).
- Inspire and develop leadership, commitment, and passion within the organization—Long-Range Goal, Five-Year Strategic Plan.
- Give preference to products that are produced by workers who are paid fairly and treated fairly in the workplace—Policy B5 of TFC Policy Register (revised 2014 to include "Products We Choose to Carry" description).

Employee Labor

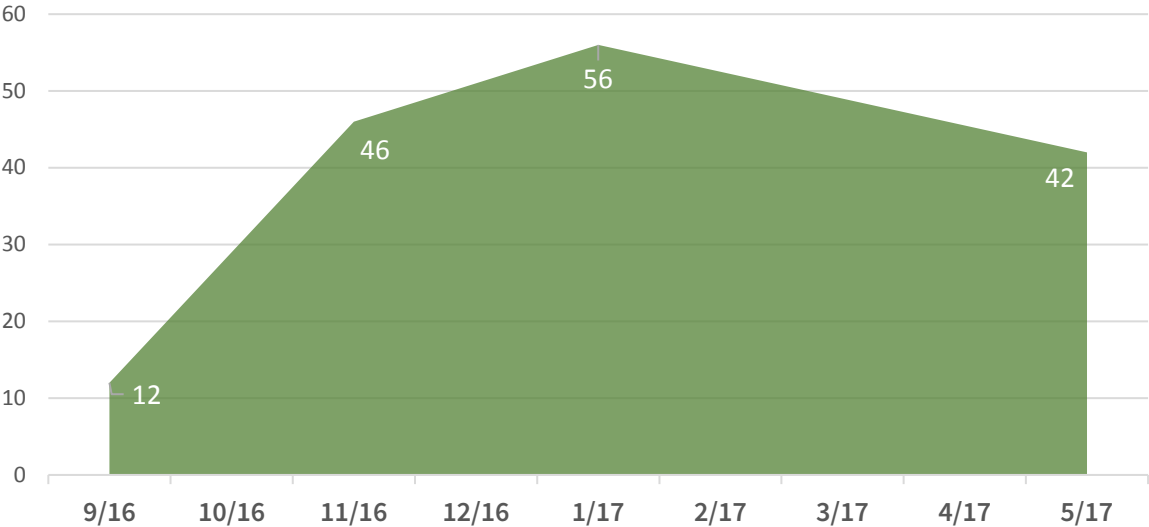
In 2016 The Food Co-op created a "Total Rewards Philosophy." Developed with the help of staff, this philosophy is the framework we use to advance our goal of a thriving workplace, as stated in our strategic plan and our A3 End (Building Internal Capacity). Simply put, it says, "We will use a total rewards approach to achieve our goals to attract, retain, engage, and reward staff. Our pay, incentive, benefit, training/development, and work-life balance programs are pieces of an overarching rewards strategy."

The Co-op is an equal-opportunity employer. All new hires receive extensive training, including a five-hour orientation designed to familiarize them with Co-op policies and The Co-op's values-driven business model. The Co-op's leadership schema, in which each team is directed by a manager, team leader, and/or assistant team leader, is designed to streamline communication and empower all employees to be effective contributors in a cooperative environment. Most teams meet monthly to discuss topical issues, resolve questions and concerns, and to celebrate positive performance as a group. Moreover, employees have the opportunity for further engagement by participating in a variety of committees: Product Research, Sustainability/Green Team, and Safety. Job openings are typically first posted internally, offering current employees professional development opportunities.

Employees who qualify—by working 30 hours or more per week—have access to our health-care benefits. After two years of employment, an employee receives 100% medical, dental, and vision premium coverage. Prior to that time we pay 83% of the cost of health care premiums for qualifying employees. At the end of 2016, sixty-two out of an average of ninety-two employees elected to be insured through The Food Co-op. In 2016 we added Flexible Savings Accounts for qualifying staff—a pretax program that allows staff to set aside funds for anticipated medical expenses.

In 2016 we began using the Employee Net Promoter Score (ENPS) as a way to measure employee workplace satisfaction, especially in years when an Employee Engagement Survey is not administered. ENPS asks the question, "How likely are you to recommend the Food Co-op as an employer to a friend or a colleague?" A rating of anywhere from 10+ thru 50+ is considered a good score-currently we are registering 41.

The Food Co-op Employee Net Promoter Score (ENPS) Over Time



At the end of 2016 Washington State enacted a new minimum wage law of \$11/hour, an increase from \$9.37. Fortunately, we were already prepared to administer such a wage increase and the accompanying staff raises needed to mitigate salary compression amongst long-term employees. In fiscal year 2017 we are switching from seniority-based raises to "pay for performance" and market-based pay ranges. By law, each year the minimum wage will increase until we reach \$13/hour in 2020.

In 2014 we implemented Open Book Management (OBM) to help increase staff awareness about our financial health and sustainability. We had some accomplishments and were able to share that success with staff in our "Gainshare" program, which in 2016 rewarded staff with over \$1 for each hour worked in the previous 12 months for a total of \$144,000. At the end of 2016 we evaluated the return on the investment (mostly of management time) of OBM and opted to drop the storewide meetings in favor of departmental versions and a daily storewide morning huddle held before the store opens.

Fair Trade

The Co-op supports fair-trade efforts across the world and endeavors to carry certified fair-trade products whenever feasible. As part of employee orientation, all new hires watch a short video titled “Fair Trade: The Story,” which familiarizes them with fair-trade principles and practices. This education effort ensures that all Co-op employees have a basic grasp of the value of fairly traded products and the reasoning behind why we, as a cooperative business, prioritize ethically sourced products. In 2015 we saw a 23% increase in the sales of fair-traded products as more became available on the market, but in 2016 that number leveled out. Our buyers note that each year the number of fair-trade items fluctuates depending on availability of key items, especially in products such as blended teas.

In 2016 our produce manager, Laura Llewellyn, was able to visit several farms in Mexico and on the American side of the border in Arizona. She discovered that those farms offer fair-trade produce, with an additional markup. The extra funds generated goes directly to the workers on the farm to ensure adequate housing, schools, and shops—a good story we were able to tell our members in our newsletter, *The Commons*. While this may not have directly increased sales, our staff is much more comfortable telling customers the benefits of paying extra for a fair-trade designation.

Fiscal Year 2017 Labor Goals

1. Switch to "pay for performance" for pay raises (instead of basing them on seniority).
2. Administer an Employee Survey to measure workplace satisfaction & engagement.

9. Animal Care

Policies, Guidelines, and Practices

- Ideals include: good nutrition, respect for the environment, fostering of local production, socially responsible workplaces, and cooperative member ownership—Policy B5 of TFC Policy Register (revised 2014 to include "Products We Choose to Carry").

The Co-op does not currently have a written policy explicitly governing animal care or, more applicable in our case as a retailer, animal production standards. We have a working draft policy currently under review by our Product Research Committee. With the expansion, The Co-op plans to expand our offerings of local and organically raised proteins in 2018, including seafood, poultry, pork, lamb, and beef. To support that growth, we anticipate completing our policies surrounding animal care.

In 2016 we adopted a sustainable seafood policy. All our fresh, frozen, and canned seafood now meet one of the following guidelines:

- *Monterey Bay Aquarium (MBA) Seafood Watch best choice or good alternative (green or yellow).*
- *Marine Stewardship Council (MSC) certified.*
- *For those species not covered by MBA or MSC, we support small fisheries.*

Milk & rBGH-Free Policy

Recombinant bovine growth hormone (rBGH) is a synthetic growth hormone often used in the commercial dairy industry to increase milk production. The Food Co-op is pleased to offer our customers milk that is rBGH free. We are also the sole source in Port Townsend for raw, unpasteurized milk, which comes from a local dairy. Additionally, we work with a regional organic dairy to carry milk products in reusable glass bottles that customers return and which we ship back to the dairy.

Meat & Poultry

We carry grass-fed beef from local family-owned ranches and whole roasting chickens from a local poultry farm, both located within 15 miles of the store. Our pork is also sourced locally. A significant portion of meat and poultry products the Co-op carries are from regional Pacific Northwest producers.

Eggs

The Co-op provides a variety of egg options for customers, including local, small-scale producers whenever available. A chart is displayed at The Co-op egg case fully disclosing where the different suppliers are located, what their hens are fed, whether hens have access to the outdoors, and if the hens are caged. Egg certification labelling and handling changes frequently, and the ebb and flow of choices available to us fluctuates as well.

Seafood

We ensure that our seafood has signage at the shelf for easy identification, and a consumer brochure is now available (one of our goals for the year). We also achieved two more goals by writing about issues surrounding seafood in our member newsletter and by beginning to phase out unsustainable options. We also held a consumer educational event on sustainable seafood. Finally, we investigated joining Fish Wise, a retail support group that trains and supports retailers committed to sustainable seafood. However, their program works best with fish counters that offer customer service, so they felt we were currently, and potentially even in the future, not a good fit for their program.

Fiscal Year 2017 Animal Care Goal

1. Finalize and adopt an animal production standards policy.

10. Sustainability Education

Policies, Guidelines, and Practices

- Our operations will be environmentally sustainable for the benefit of our members, community, and planet—Policy A4 of TFC Policy Register (revised 2013)
- We accept the responsibility of providing educational information to our customers as it relates to these concerns and the products we sell, and in certain instances, as it relates to products we choose not to sell—Products We Choose to Carry

Internal Education

Our staff green team, also known as SURF (Sustainable Users Resource Fellowship), has been meeting monthly for five years. This relatively stable core of committed staff has created and supported internal outreach programs such as our “Eco Handprint” program, which recognizes and rewards staff efforts to create a more sustainable workplace. In 2016 the SURF team conducted our waste audits—initially of the store and then later of our administrative offices and training rooms. From this data we were able to identify what goes to the landfill—primarily contaminated paper (mostly paper towels) and plastic.

Through team member efforts, we discovered that Trex, the manufacturer of composite decking, wanted our clean and dry plastic. We then partnered with Safeway, who agreed to accept our plastic and add it to theirs, which all goes to Trex to be turned into decking. Staff now collect as much clean, dry plastic as possible (mostly plastic wrapping and film), and we collect plastic from our customers to add to our growing pile. As a result, we have reduced the amount of waste going to the landfill by 2.03% (in weight) and we have seen the amount of plastic being recycled increase by 48%—from an estimated 8,796 lbs. per year to 12,680 lbs. per year.

Our green team in conjunction with the county health department created a recycling training, which is taken to department meetings and which we hope to make a regular part of the orientation process for all staff (which currently includes organic and fair-trade educational components). Additionally, many of our team members participated in the 2016 local “Taming Bigfoot” competition, organized to increase community awareness of our carbon footprint.

In our internal communications, we have switched all teams to a computer-based logbook, eliminating paper, and often highlight sustainability initiatives and efforts such as “Ride Your Bike to Work Month” for staff.

External Education

While shopping at the Co-op, all kids are eligible to be part of our ABC club—a free program that gives each child an apple, banana, or carrot. We continue to promote bicycling as a preferred form of transportation with both staff and shoppers. We participate in Bike Benefits, a nationwide organization dedicated to promoting bicycling, and we provide four large covered bike parking areas. The Bike Benefits program also gives cyclists a free apple, banana, or carrot for riding to shop at the Co-op.

Total Rewards given FY 2016	Apples	Bananas	Carrots
ABC's for kids	5,991	2,781	1,926
Bike Benefits for cyclists	1,066	604	64

SURF identified that our system for—and signage about—separating trash from recycling in our customer dining room could be improved, which in turn could improve our recycling rate (if too much trash is mixed in with recycling, it might all end up in the landfill). We also began a food scraps collection program in our dining room to increase awareness of food waste.

We created a sustainable seafood brochure and held an informational event for community members to raise awareness of social justice concerns surrounding seafood. Each issue of our in-house newsletter *The Commons* has an educational component, often about food-related issues such as GMOs or ingredients being researched by our Product Research Committee (comprised of staff & co-op members).

Fiscal Year 2017 Sustainability Education Goals

1. Invest in a new sorting station with improved signage in our dining room (separating recycling from trash).
2. Increase collection of food waste in dining room by 10%.

11. Governance & Community Engagement

Policies, Guidelines, and Practices

- We will have an engaged staff and board that use their expanding knowledge and skills to create a thriving workplace—Policy A3 of TFC Policy Register (revised 2013).
- Our members will be knowledgeable about the products they consume, the connection between food choices and personal health, and environmentally sustainable practices—Policy A5 of TFC Policy Register (revised 2013).
- We will govern in a way that emphasizes empowerment and clear accountability—Policy C1 of TFC Policy Register (revised 2013).

Access

In January 2017, we removed a barrier to accessing good food by eliminating a 10% non-member surcharge at the register. Now everyone is truly welcome to shop at the Co-op. We continue to promote ownership and investment in the Co-op, and while new memberships are down slightly, sales to members continues to grow.

Transparency & Engagement

As a cooperative, we operate for the benefit of our owners. In 2014 we voted to adopt a patronage dividend system, in alignment with the International Cooperative Alliance (ICA) cooperative principle #3—owner economic participation—which states, in part, that "the economic benefits of a cooperative operation are returned to the owners." In 2016 we distributed our first member dividend, and in 2017 we approved and distributed our second dividend. Annually, we publish a report to members highlighting our business actions and financial performance. The report is given to members at an annual meeting that also offers an educational component as well as an opportunity for questions and feedback.

Governance

The Co-op is run by a team of employees and managers overseen by the general manager, who, in turn, is the sole employee of the Co-op's Board of Directors. The board is comprised of seven Co-op member-owners who serve three-year terms in democratically elected positions. Each household membership has a single vote in board elections. The board is charged with implementing the Co-op's Strategic Plan, upholding Co-op policies, and monitoring the general manager's administrative actions through policy governance. Time is set aside at the beginning of every board meeting for member comments, and members are also encouraged to comment during meetings.

Charitable Contributions & Community Engagement

The Food Co-op gives back to the community in many ways, including financially and with in-kind donations. Our Farm 2 School program, in collaboration with Organically Grown Company (OGC), raises funds for fresh local food in schools through the sale of select three-pound bags of apples. Of the 20 different retailers that participate in this program, our store sold more than any other single store in the second quarter of 2017. Several years ago we began giving organic milk to the Head Start program in Port Townsend, and in 2016 we donated the equivalent of 214 gallons.

Here is a short list of our contributions in 2016:

- Donations (cash): \$11,095
- Beans for bags: \$10,296
- Farm 2 School: \$1,168
- Food Bank (food): \$12,000
- "Round up" at the register to save farmland: \$1,579

The Food Co-op was both a sponsor of and a participant in "Taming Bigfoot," created by the outreach group Climate Action Now (CAN.org) to help educate Jefferson County residents about the actual carbon emission impacts of various activities in their daily lives. A three-month campaign was designed to raise awareness of the impact that individuals have on the environment. The first month, we each tracked our usage of a wide variety of fuels and other items, and then used that information to create a baseline. The next two months were spent identifying ways we could improve our individual carbon footprints. At one group meeting, The Co-op, as a sponsor, made a short presentation on what we are doing as a business to lessen our impact and reduce greenhouse-gas emissions. Our home team, the Kale Krushers, won third place overall in our reduction of our carbon footprint. Turns out that the biggest impact each of us had was traveling by plane; nothing else came close. Still, as a result of our efforts, the competitors reduced their greenhouse gas emissions by 6,100 pounds of CO₂ over the three months the competition lasted, and the average reduction in our carbon footprint was 10%.

Jefferson County Local Food System Council is a group of people from the public and private sectors of the community who are dedicated to "working together to create, expand, and strengthen a local food system that is accessible, healthy, sustainable, and economically vibrant," and the Food Co-op has had a staff member on the council since its inception in 2015. Currently, they are working to positively affect the county Comprehensive Plan, specifically regarding agriculture.

Fiscal Year 2017 Governance & Community Engagement Goals

1. Participate in the second edition of "Bigfoot."
2. Promote Farm 2 School program so purchases/sales exceed \$2,000 (with articles in our newsletter and signage at the point of sale).

Summary of Goals for FY 2017

1. Exceed \$6.5 million in sales of certified organically grown goods.
2. Collaborate with key stakeholders (such as The Jefferson County Farmers Market) to fund and develop an "Eat Local First" campaign, to be launched in 2018.
3. Work with staff to grow purchases of locally produced goods by asking them to choose one realistic goal per quarter that can help us reach our store goal of exceeding \$1.2 million in local sales.
4. Add a line item to the register receipts reflecting dollars spent on local goods.
5. Reduce our reliance on propane as primary heat source by investing in another HVAC unit.
6. Offset the of Scope 1 emissions (propane) with RECs from PUR Project (discussed in section 4) to equal our 2016 emissions (37 tons).
7. Offset Scope 2 emissions (electricity) with RECs from Jefferson County PUD equal to 50% of emissions in 2016.
8. Maintain water usage at 2016 levels.
9. Work with green team members to reassess estimated weight of compost going to farmers.
10. Increase amount of waste being diverted from the landfill to 65%.
11. Improve signage and stations for separating waste and recyclables in dining room.
12. Work with community partners to address commercial composting needs in Jefferson County.
13. Promote "Beans for Bags" program to encourage greater consumer reuse of existing containers and bags.
14. Switch to "pay for performance" for pay raises (from seniority-based).
15. Administer an employee survey to measure workplace satisfaction.
16. Finalize and adopt an animal production standards policy.
17. Invest in a new sorting station in our dining room (separating recycling from trash).
18. Increase collection of food waste in dining room by 10%.
19. Participate in the second edition of "Bigfoot."
20. Promote Farm 2 School program and purchases to exceed \$2,000.

Products We Choose to Carry (Revised 2012)

Our product selection guidelines are an extension of our mission and values. These product guidelines are offered to provide a framework in which The Co-op ideals will be translated into the selection of goods for the store. These ideals include: good nutrition, respect for the environment, fostering of local production, socially responsible workplaces, and co-operative member ownership. The Co-op's purpose of providing a broad range of pure, whole, staple foods and other essential items at a reasonable price is the base upon which these guidelines rest.

- **Product Qualities:** Favoring whole foods with minimal processing; Certified Organically grown; Verified Non-GMO Products. (Refer to our GMO Statement); Foods that do not contain ingredients on our unacceptable ingredients list.
- **Commitment to Community:** Giving preference to those products grown or produced by small scale enterprises, and to those grown or produced locally and regionally.
- **Environmental Concerns:** Minimizing the negative environmental effects pertaining to our choice of products and, where there is a choice, to take the least detrimental option.
- **Consumer Education:** Accepting the responsibility of providing educational information to our customers as it relates to these concerns and the products we sell, and in certain instances, as it relates to products we choose not to sell.
- **Fair treatment of workers:** Giving preference to products that are produced by workers who are paid fairly and treated fairly in the workplace.
- **Support the co-op movement:** Giving preference to products produced and distributed by co-ops.
- **Political Concerns:** Recognizing that there may be political implications of its selection of products and suppliers.
- **Provide a full service grocery store:** Complementing our array of basic products with items that are not commonly available elsewhere in Eastern Jefferson County.