



## 2008 Stewardship Report

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## 2008 Stewardship Report

Stewardship is core to REI's purpose – we want to ensure that the next generation has a connection to the natural spaces we all enjoy.

Our stewardship work involves employees and members, and extends into the larger community through partnerships with nonprofits and collaboration with our peers in the outdoor industry. We're also using our business to find innovative solutions to some of society's most pressing challenges.

We invite you to read annual stewardship report, which outlines the co-op's efforts during the 2008 calendar year. The content is structured into the three sections — [Community](#); [Environment](#); and [People](#). A [table of contents](#) is also provided for quick reference.

### Comments

We welcome your thoughts on our 2008 stewardship report through the following [survey](#) or email at [stewardship@rei.com](mailto:stewardship@rei.com). Your feedback supports our ongoing goal of providing relevant information that is important to our members, customers, partners, employees and others.

Community ▾

Environment ▶

People ▶

#### Community

- Giving Philosophy
- Recreation
  - Community-Based Grants & National Partnerships
  - REI Outdoor School
  - REI Passport to Adventure
  - REI Gear Bank
- Conservation
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  - Celebrating and Promoting Volunteerism
  - PEAK
- REI Foundation
- Advocacy for the Outdoors



**STEWARDSHIP AT REI HAS MANY FACES**  
Our efforts vary from teaching the next generation how to enjoy nature and care for the planet to incorporating green building features into REI facilities.



How are we doing? [Give us feedback](#) on this page.



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## Community

REI's commitment to stewardship defines our culture and dictates how we run our business. From our retail employees to those in our distribution centers and headquarters, we share a deep belief in our collective ability to conserve nature and help others lead healthy, active lives. The co-op reaches out in a myriad of ways to encourage and foster the involvement of individuals, groups and communities in human-powered outdoor recreation and volunteerism.

Our approach is based on collaborating with nonprofit partners, developing targeted outreach programs, and offering relevant and engaging in-store classes and clinics. These efforts enable us to educate and inspire others to be active so that they experience the benefits of healthy, outdoor lifestyles. They also advance our goals of protecting and conserving natural spaces, and preparing today's youth to serve as the next generation of outdoor stewards.

Some of our most rewarding efforts come from teaming with nonprofit partners and our members in the more than 100 communities where REI has a retail presence. We are thankful to the many that share our commitment and have joined us, enabling the co-op to increase outdoor recreation participation and conserve natural spaces. Looking ahead, we are eager to build on these successes.

This section of REI's stewardship report highlights our involvement in our community. We invite you to read about our [comprehensive giving approach](#), how we encourage more people to [participate in outdoor recreation](#), and our efforts to [conserve natural spaces](#). You'll also find information on the [REI Foundation](#) and details about our [local and national advocacy](#).

## Comments

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**75%+** increase in the number of youth completing the Passport to Adventure program



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- ⊕ Community
- ⊖ Environment
  - Greenhouse Gas Emissions
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    - Employee Commuting
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## Environment

Our customers and members use our products and services to get outdoors, and our continued business success depends on having a healthy natural environment. Traditional business thinking connects business growth with increasing negative impacts on the environment. We aspire to run our business where connecting more people with the outdoors can be done with the least negative impact, and find solutions where running our business improves the environment.

Today, public and private companies are implementing social and environmental strategies that go beyond compliance or one-time actions to deliver benefits such as cost reductions, employee and customer engagement, and the protection of the natural world. To act upon opportunities where the best business decision can also be the best environmental decision, we must collaborate with our industry partners, the communities we serve, and nonprofit organizations. Truly sustainable business projects and actions cannot happen in isolation.

Our environmental strategy targets five areas where we see the best opportunities to decrease our environmental impacts while supporting the business strength and success of the co-op. These areas include:

- The reduction of our [greenhouse gas emissions \(GHG\)](#)
- Finding sustainable solutions to our [paper usage](#)
- Reducing [waste and optimizing recycling](#)
- Actively working towards [green buildings](#)
- Addressing the challenges of [product stewardship](#)

These focus areas were identified in 2005 by a diverse group of REI leaders who looked at REI's largest environmental impacts and opportunities and concluded that these areas were the most critical to address. These areas also represented efforts where REI had the greatest ability and influence to collaborate with others to create broader positive impacts.

Our [methodology](#) for measuring our environmental impacts is based on best practices—adopted to match REI's circumstance—to assess each area of its environmental footprint.

## Comments

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**LEED Gold** certification for REI's Boulder, CO store, joining other certified REI locations in Portland, OR, Bedford, PA and Pittsburgh, PA.



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Workplace

"100 Best Companies to Work For in America"

Employee Engagement & Retention

Diversity & Inclusion

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## People

REI's more than 10,000 employees demonstrate their passion for the outdoors every day, whether they are helping customers choose the right products and services for their next outdoor adventure or protecting nature so that it is available for generations to come. Employees represent the REI brand, culture and values through their daily interactions with our members, customers and community partners.

Those that manufacture our branded gear and apparel provide value to the co-op. In turn, REI recognizes its obligation to require our manufacturing partners to provide appropriate and safe environments for the people who produce our goods. Therefore, we work to ensure factory and labor compliance to REI's Code of Conduct in the contract facilities where REI-brand products are made. Through the Outdoor Industry Association's Fair Labor Working Group we collaborate with our industry peers to develop and use common compliance standards for other product brands that we sell.

In this section we highlight many of the employee benefits, initiatives and efforts that continue to make REI an employer of choice and an industry leader.

The 2008 Stewardship Report "people" section contains the following subjects:

- [Workplace](#)
- [Factory & Labor Compliance](#)

## Comments

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**95%+** of REI-brand products made in factories audited by third party.



How are we doing? [Give us feedback](#) on this page.



**2008 Stewardship Report**

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## Letter from President and CEO, Sally Jewell

September 2009

As the largest member-owned cooperative in the nation, REI is a different kind of business. Stewardship has been intentionally built into the co-op's core purpose — to inspire, educate and outfit for a lifetime of outdoor adventure and stewardship. We fulfill our commitment when our communities benefit, the planet thrives and more people experience the wonders of nature.

REI's stewardship efforts are present in our workplace culture, partnerships with nonprofits, and engagement with our members and communities. Increasingly, collaborating with our industry peers also plays an essential role in collectively supporting lasting change where our businesses impact communities around the world.

While we continue to manage REI through a challenging economic climate, our commitment to stewardship remains steadfast. This includes grants of money, gear and volunteers to nonprofits that share our dedication to connecting children to nature, supporting outdoor recreation, and environmental conservation. We also work to run our business in a manner that reduces our environmental impact while delivering financial results.

We invite you to read our 2008 stewardship report. Our intention is to provide a candid assessment about achievements and challenges in our social and environmental efforts.

We welcome your constructive feedback on our report through the survey available [here](#). Your candor will help ensure we are providing relevant information in future reports and co-op communications.

Thank you for your interest in REI's stewardship efforts. I look forward to seeing you on the trail and I encourage you to bring along a young person who can begin a lifetime of loving nature!

Warmly,

Sally Jewell

REI President and CEO



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## About the Report

REI's third stewardship report covers the co-op's activities and performance related to our social and environmental efforts during the 2008 calendar year. The performance metrics and data shared within this online report include our operations and facilities (headquarters, distribution centers, retail locations and supply chain manufacturing).

The 2008 report provides an update on our progress toward our stated goals and milestones achieved and a discussion of our stewardship priorities. Our report is an important part of our continual work to implement our initiatives and programs, apply our learnings, measure against our goals, and share our progress and challenges with REI's stakeholders.

Our objective remains to be transparent in our actions and hold ourselves accountable to our members, customers, communities and employees.

## Defining Stewardship

REI's purpose is to inspire, educate and outfit for a lifetime of outdoor adventure and stewardship. At the co-op, being good stewards is reflected in how we care for the world where we all play, work and live, and how we connect people to nature. Specifically, our efforts are designed to:

- Facilitate the active conservation of nature
- Inspire the responsible use and enjoyment of the outdoors
- Enhance the natural world and our communities through responsible business practices
- Foster opportunities to increase participation levels in outdoor recreation, with a focus on young people
- Maintain REI as an employer of choice, where employees are highly engaged in the vision of the company and are reflective of the diversity of our communities where we have a presence

## Report Structure

REI's 2008 stewardship report is structured into the three content sections — [Community](#) – philanthropic efforts and nonprofit partnerships centered on outdoor recreation and conservation, and advocacy; [Environment](#) – initiatives and efforts to reduce our overall impact on the planet; and [People](#) – the co-op's workplace and fair labor compliance with vendor factory partners. For additional details on the content of each section, please visit the report's [table of contents](#).

## Materiality

To determine the most relevant subjects to include in REI's 2008 stewardship report, we built on the foundation we established in our first two reports. The scope of our reporting is for calendar year 2008, and was informed by internal and external stakeholders: employees, leadership, REI's board of directors, members and customers, local community constituents, nonprofit partners and advocacy groups. REI's board of directors provides broad input into our overall stewardship goals, metrics and measurement.

REI's business objectives and long-term strategic plans also served as a basis for determining relevancy, as did co-op policies, programs and initiatives. While the process for determining relevancy was primarily a cross-functional internal effort, we consulted with external experts to help establish REI's priorities for reporting on our corporate responsibility and stewardship.

All past REI stewardship reports are archived and maintained with open access for future reference, and complement additional information presented on [REI.com/stewardship](#).

## Comments

We welcome your thoughts on our 2008 stewardship report through the following [survey](#) or email at [stewardship@rei.com](mailto:stewardship@rei.com). Your feedback supports our ongoing goal of providing relevant information that is important to our members, customers, partners, employees and others.

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# 2008 REI STEWARDSHIP REPORT

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## 2008 Stewardship Report

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About the Report

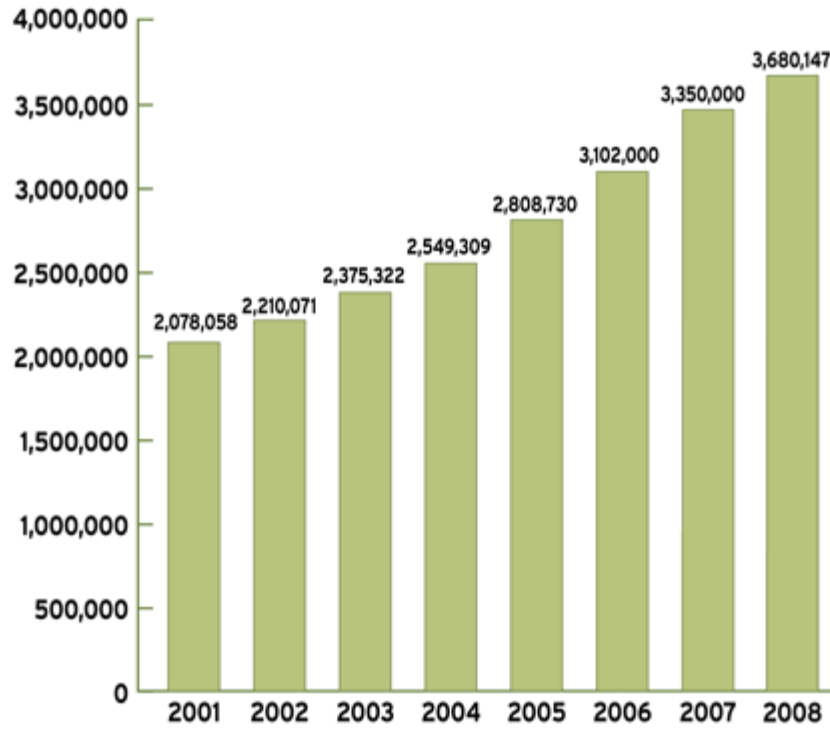
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## Quick Facts About REI

Active Members\*



\* According to REI's bylaws, an active member is someone who joined the co-op or spent at least \$10 during the year.

Member Dividend (in thousands)

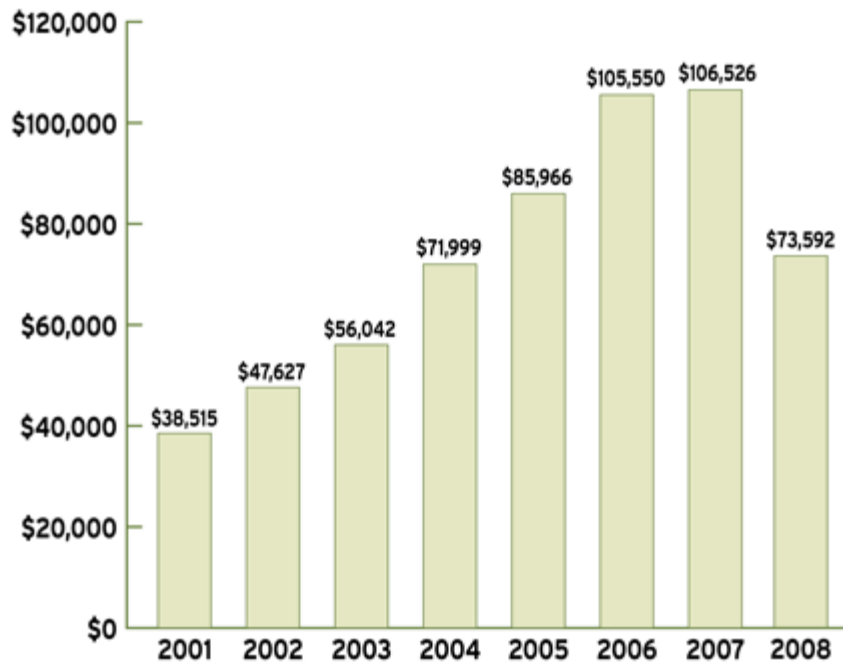




Sales (in thousands)



Operating Income (in thousands)



Net Income (in thousands)



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### STEWARDSHIP AT REI HAS MANY FACES

Our efforts vary from teaching the next generation how to enjoy nature and care for the planet to incorporating green building features into REI facilities.



### PITCH IN WITH REI TOGETHER WE CAN MAKE THE DIFFERENCE

To achieve far-reaching and lasting change for the environment and our communities, we know that strength lies in numbers—all of us working together to help ensure that future generations will be able to enjoy the outdoors. We invite you to join us in our commitment. Find out more about REI stewardship at [REI.com/stewardship](http://REI.com/stewardship).

**GET CONNECTED** Learn about stewardship events in your community by visiting [REI.com/stores](http://REI.com/stores). You can also discover meaningful volunteer opportunities with nonprofits that match your interests at [REI.com/volunteer](http://REI.com/volunteer).

**BECOME A MEMBER** REI is a co-op with more than 3.7 million active members who share a love for the outdoors, outdoor gear and the health of our planet. To become an REI member, ask an in-store REI sales specialist, call **1-800-426-4840** or visit [REI.com](http://REI.com). A lifetime membership is only \$20.

**WORK AT REI** Be with people who share your values and passion for the outdoors. Work in a place where integrity, respect and fun all play a part in our success. To learn more about joining the REI team, please visit [REI.com/jobs](http://REI.com/jobs).



This brochure is printed on Forest Stewardship Council certified recycled paper as part of our commitment to responsible forestry.

# HOW DOES REI CARE FOR OUR PLANET?

## STEWARDSHIP HIGHLIGHTS

FIND OUT.



# OUR COMMITMENT

Stewardship is core to REI's purpose—we want to ensure that the next generation has a connection to the natural spaces we all enjoy.

Our stewardship work involves employees and members, and extends into the larger community through partnerships with nonprofits and collaboration with our peers in the outdoor industry.

We're also using our business to find innovative solutions to some of society's most pressing challenges.

Consider this brochure your pocket guide to stewardship at REI. We publicly report in three areas: community, environment and people. To read our full report and learn how you can join us, go to [REI.com/stewardship](http://REI.com/stewardship).

# WE'RE COMMITTED TO MAKING A DIFFERENCE. TODAY AND TOMORROW. LOCALLY AND GLOBALLY.

## COMMUNITY

### INSPIRING THE NEXT GENERATION

REI is creating the next generation of outdoor stewards through educational outreach programs and grants that provide opportunities for outdoor fun and mentorship. Together with our partner, Leave No Trace, we facilitate a year-round program called Promoting Environmental Awareness in Kids (PEAK) to encourage more children to enjoy the outdoors and respect nature. Program materials are also available in Spanish.

### ENCOURAGING COMMUNITY INVOLVEMENT

REI employees are active in caring for public lands and open spaces. We also invite our members and customers to join us in volunteer service projects organized by nonprofits and our stores. In 2008, over 40,000 volunteers teamed with REI employees to restore trails, clean parks and streams, and plant trees.

**1,573,138** volunteer hours funded through our support of nonprofits in 2008.

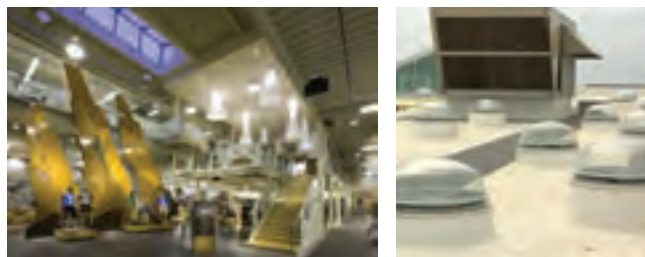
**785** outdoor service projects hosted by REI.

### INVESTING IN STEWARDSHIP

Last year, REI partnered with 429 nonprofits to leverage the co-op's \$3.7 million in grant funding. Our grants program engages communities, and especially youth, in outdoor recreation and stewardship. Because REI employees work, play and volunteer where we do business, their nominations help determine which nonprofits receive grants.



## ENVIRONMENT



### BUILDING GREEN

We design new facilities with the environment in mind, including several that meet the U.S. Green Building Council's standards. Our Bedford, PA, distribution center received LEED Silver certification, while our first prototype store in Boulder, CO, was awarded LEED Gold certification. Our second prototype store in Round Rock, TX, further tests innovative

**182,834** kids learned Leave No Trace ethics.

**LEED Gold** certification for our Boulder, CO, store.

**Over 250** REI-brand products have earned our ecoSensitive™ label.

approaches to energy efficiency, water conservation, low-impact building materials and more.

### PRODUCT STEWARDSHIP

Reducing the environmental impact of the products we sell is a big challenge. The ecoSensitive designation



is our first step, identifying REI-brand gear and apparel made with a high percentage of recycled, rapidly renewable and/or organic fibers. We increased the number of styles that carry this designation while raising the bar on what makes a product ecoSensitive. We are also working with partners in the outdoor industry to make even greater progress.



REI ecoSensitive Terry Print Hoodie made from 95% organic cotton.

### MAKING RESPONSIBLE PAPER CHOICES

REI is committed to the responsible purchase and use of paper and paper products. We endorse the Forest Stewardship Council (FSC) as our standard for responsible forest practices, and we work to ensure that fiber comes from acceptable sources. Our goal is to know the origin of the fiber for all the paper we purchase. In 2008, over 85% of the paper we purchased was from known and acceptable fiber sources.



### ADDRESSING CLIMATE CHANGE

Our goal is to be climate neutral by 2020. To meet that goal, we've sought innovative, business-savvy ways to reduce our greenhouse gas emissions. Highlights from 2008 include equipping 11 REI stores with solar panels, generating



1.1 million kWh per year of clean energy. In addition, REI Adventures remains one of the largest climate-neutral travel businesses in the country through the purchase of certified offsets.

### MANAGING WASTE

Because of its cost to the environment and REI's bottom line, managing waste is a high priority. Our goal is to be a zero-waste-to-landfill business by 2020. For all

operational waste generated last year, such as paper, cans, bottles and wooden pallets, we recycled 84.8% when measured by weight, and 73.9% by volume.

## PEOPLE

### CREATING A WELCOMING AND DIVERSE WORKPLACE

REI is committed to ensuring a workplace environment and customer experience that is welcoming and respectful. Our goal is to serve a broad spectrum of people who enjoy the outdoors and active lifestyles with a staff that reflects our community. Annually, REI conducts a company-wide survey asking employees for feedback around the key tenets that create an inclusive and engaging work environment. The results are published and acted upon to ensure REI delivers a great place to work for our employees all across the co-op.



**86%** of REI employees gave a favorable engagement rating in our annual survey.

**12th overall** rank on *Fortune* magazine's "100 Best" list—up from 34th in 2008.

### ETHICAL SOURCING AND MANUFACTURING

REI's sourcing standards clearly lay out our expectations for the factories we do business with, helping to ensure that REI-brand products are made under appropriate conditions and with respect for the workers who produce them. In 2008, more than 95% of the dollar value of REI-brand gear and apparel was made in factories audited by a third party.

Read our complete stewardship report online: [REI.com/stewardship](http://REI.com/stewardship)





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## Giving Philosophy

Outdoor recreation and conservation are the heartbeat of REI's giving philosophy. Since 1976 we have contributed nearly \$29 million to nonprofit organizations. REI's annual giving budget is approximately 3 percent of the previous year's operating profits. In 2008 we donated nearly \$3.7 million to 415 local and national groups — a funding increase of nearly 6 percent over 2007. For a complete list of 2008 grant recipients [click here](#).

REI's giving efforts are distinguished by our unique employee-driven approach. Our grants program is predominantly guided by local employee nominations. We believe this "on the ground" view is the most authentic way to allocate community support because REI's thousands of employees work, play and volunteer in their communities. As a result, they have the most direct connection with local nonprofits that share our stewardship commitment. Because of our local focus, we do not accept unsolicited grant requests and proposals.

While we are proud of the dollar amount REI has provided throughout our history, our most important measure of success is how our philanthropic efforts increase the number of people participating in outdoor recreation and protecting natural spaces for the enjoyment by all. To achieve this, every grant applicant is asked to submit goals and evaluation metrics that address our success measures. This helps ensure that our giving aligns with REI's core purpose and values.

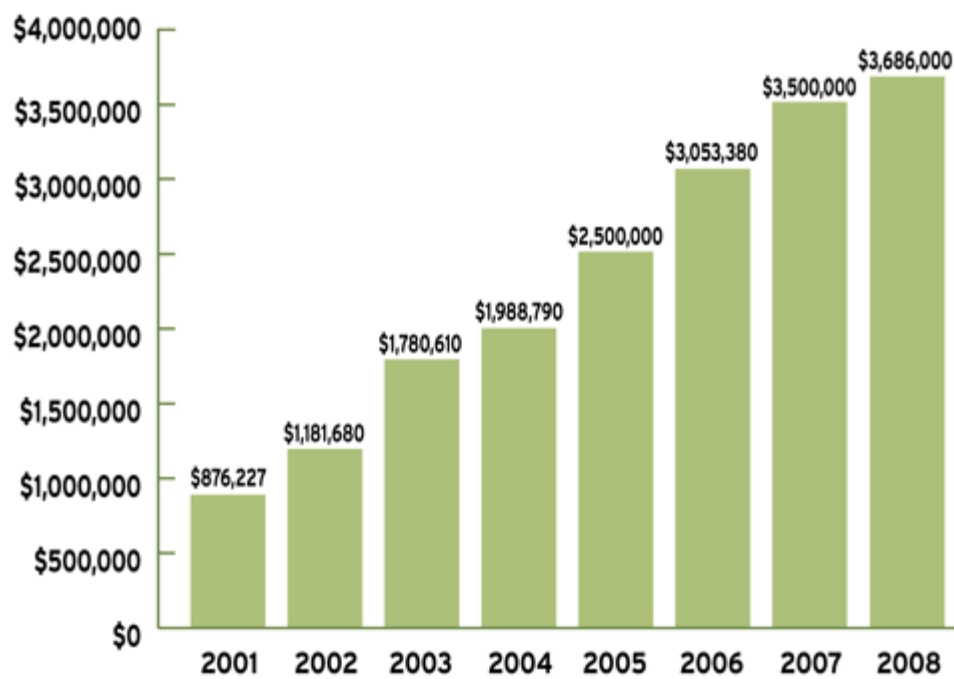
The dollars REI invested in nonprofit organizations in 2008 delivered the following outcomes:

- 14,481 acres of land and 6,520 miles of trail maintained
- 1,573,138 volunteer hours donated through 130,347 volunteers (via nonprofit grant support)

REI employees also coordinate and recruit volunteers for service projects, and generously donate their time and expertise to help organizations and individuals learn, grow and experience the outdoors. In 2008, REI hosted 785 volunteer projects across the country to protect shared trails, parks and waterways.

Also in 2008, through REI's annual [Charitable Action Campaign](#) employees donated \$677,000 to their favorite nonprofit organizations. Including the co-op's matching dollars, we gave a total of \$1,259,529 to more than 1,200 nonprofit organizations around the world. These contributions represent a 6 percent increase over funds raised last year.

### Annual Giving Budget



How are we doing? [Give us feedback](#) on this page.



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## Recreation

For the first time since 2001, overall participation in outdoor recreation increased in 2007: to 50 percent of Americans (Outdoor Industry Foundation "Outdoor Recreation Participation Report 2008"). While this statistic may seem encouraging, this news is offset by the fact that youth participation dropped significantly, by 11 percent among children ages 6 to 17 (ibid.). The Outdoor Industry Foundation's report sheds additional light on the state of outdoor recreation participation for 2007, including the following startling facts and takeaways:

- Participation among youth ages 6 to 17 dropped more than 11 percent, with the sharpest declines among youth ages 6 to 12
- 42 percent of youth ages 6-17 take part in an outdoor activity only 30 times a year or less
- Participation in outdoor activities declines with age. The fewer youth introduced to outdoor recreation, the fewer adult participants there will be in future years
- As children increasingly spend much free time indoors or in structured sedentary activities, researchers link the trend to skyrocketing rates of childhood obesity (1 in 5 children are clinically obese)

REI is committed to reversing the disturbing declines in youth outdoor participation through our programs, events, philanthropic efforts, and partnerships with nonprofits.

In this section, we provide information on some of the ways we support recreation access and help others be active in human-powered outdoor activities, such as:

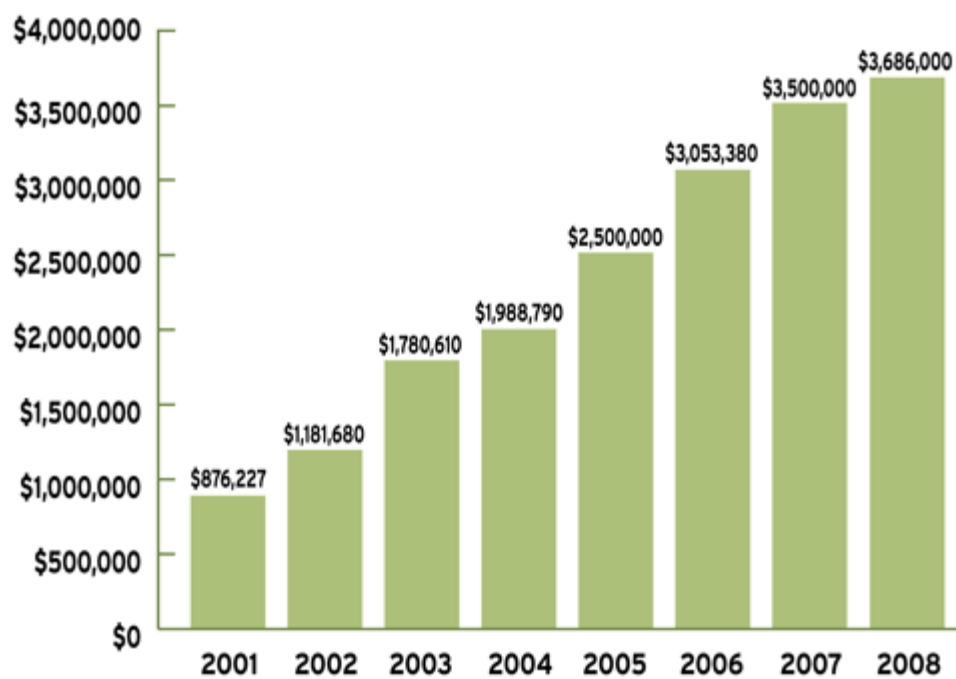
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Annual Giving Budget



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## Community-Based Grants and National Partnerships

### Highlights

Of the \$3.7 million distributed in 2008, REI made 350 grants to local nonprofit organizations through our market-based grants program. Grant recipients are nominated by our employees who are currently engaged with local nonprofit organizations in their communities. An additional 65 grants were made to organizations working at the regional and national level. All recipients share a commitment to [conservation](#) and recreation.

We pay particular attention to opportunities that involve youth. Connecting young people with the outdoors is key to starting them on a path of an active lifestyle, while ensuring future generations become stewards of the environment. After all, it is today's youth that will become tomorrow's decision makers regarding how best to protect our country's natural spaces. Supporting and partnering with nonprofits that focus on positive outdoor experiences for youth helps the co-op make a positive difference in the lives of youth throughout the country.

We are proud that our many national and local nonprofit partners share the values of safe and responsible recreation. REI's retail stores also support recreation clubs and conservation nonprofits by donating meeting and event space. To help these organizations increase local visibility, we encourage them to post volunteer opportunities and event announcements on our store Outdoor Resource Center bulletin boards and store event calendars on our website.

To learn more about the organizations supported through our grants program, [visit this link for a complete list](#).

### Challenges

The [annual budget](#) for REI's grants program is determined by the co-op's financial success, or approximately 3 percent of the previous year's operating profits. The co-op was not immune to 2008's challenging economy and as a result we experienced a significant decrease in income. Our support of nonprofit partners to get more people outdoors will be at a reduced level in 2009, because of reduced operating profits in 2008.

### Looking Ahead

While fewer available grant dollars will present a challenge to maintain the assistance we have provided in the past, it is also an opportunity to become more focused. Ultimately, this means targeting our giving in ways that have the greatest impact on promoting conservation and recreation.

How are we doing? [Give us feedback](#) on this page.



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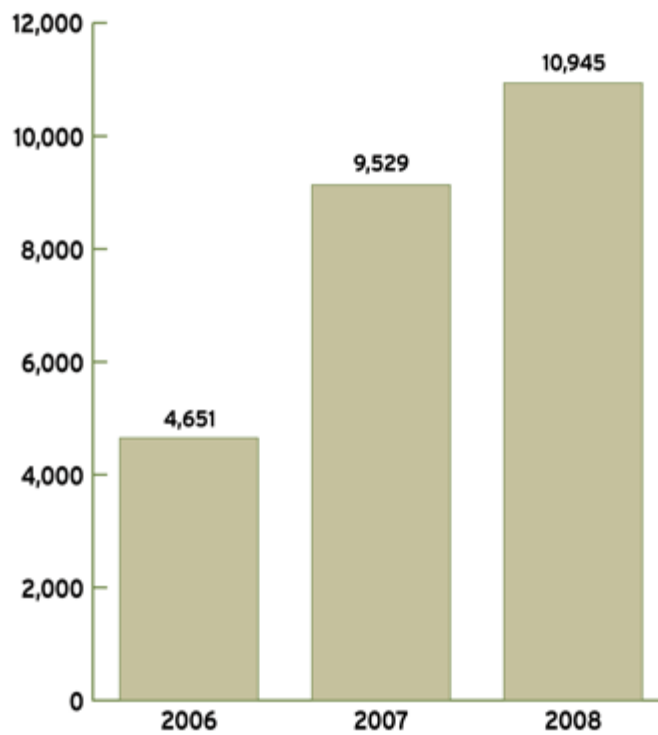
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## REI Outdoor School

Now in its third year, [REI's Outdoor School](#) offers educational outings and classes to build skills and confidence for recreating outdoors throughout the year. Our experienced, professional instructors are committed to sharing their enthusiasm and knowledge with participants of all interest levels and abilities.

REI Outdoor School provides equipment and transportation to local parks, while participants bring any necessary personal items and a desire to learn. In-store classes, one-day outings and overnight courses are offered in a wide range of interests to anyone wishing to learn a new activity or brush up on existing skills. Available courses include mountain biking, rock climbing, road cycling, kayaking, hiking, family outings, outdoor photography, navigation and more. REI Outdoor School is not part of the co-op's outreach and philanthropic efforts. A nominal fee is charged, with REI co-op members receiving discounts.

REI Outdoor School (individuals)



## Highlights

In 2008, REI Outdoor School operated out of 38 retail stores, and collectively the offerings educated 10,945 participants, up 15 percent from 2007. This gain is attributed to a full year of operations in Los Angeles and San Diego, versus six months of operation in 2007. Additionally, Outdoor School offerings were added to REI retail stores in West Hartford, Reno and Stockton.

We also expanded our focus on diversity and inclusion by creating several online educational videos in Spanish and English. These complement REI's Outdoor School programs, and help increase our outreach to diverse populations.

Lastly, we grew REI's partnerships in 2008, including a significant contract with the State of California parks system to operate programs in 45 parks.

## Challenges

In 2009 we chose to focus our growth in expanding content rich programs in existing markets and supporting store openings in New Jersey and California, rather than growing Outdoor School into new markets. Challenges within state budgets may also affect our ability to host future outings in state recreational areas.

## Looking Ahead

To increase access to REI's Outdoor School programs among diverse populations, we will offer Spanish language programs in support of our [Diversity in the Outdoors](#) initiative throughout 2009. We are also partnering with local cities, businesses and organizations to get more people outside through private and group programs. Through new courses such as bike commuting and climbing, and because the Outdoor School provides a reasonably low cost alternative to getting outside, we are hopeful that Outdoor School offerings will increase in the coming year.

How are we doing? [Give us feedback](#) on this page.



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## REI Passport to Adventure

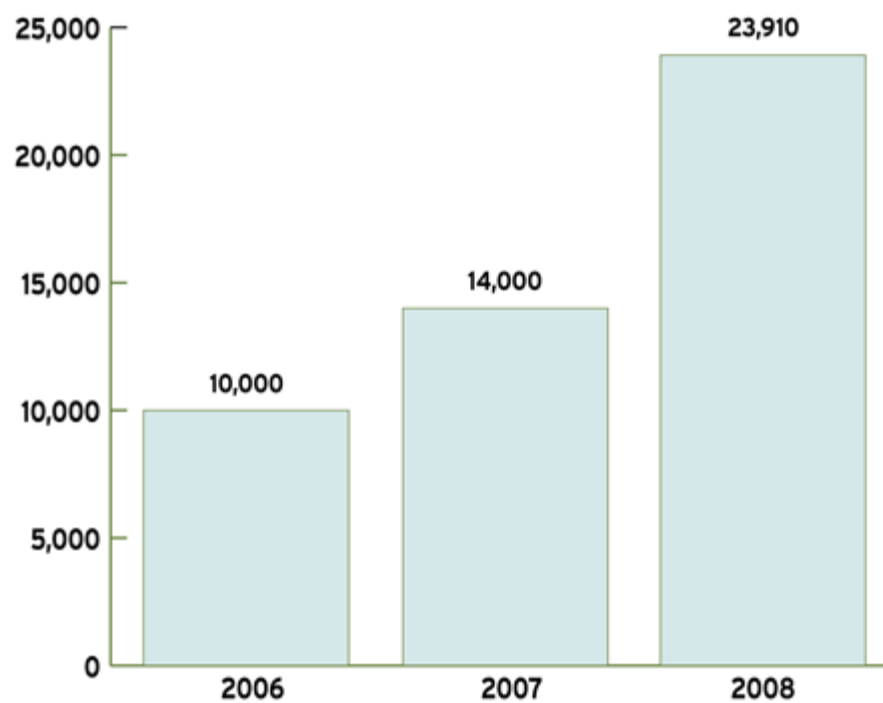
Making it easy for young people to experience nature is a priority for REI. Doing this helps children grow into advocates for nature and ensures well-protected shared outdoor spaces for future generations. Outdoor adventure also promotes a healthy lifestyle into adulthood.

Showing kids and parents how rewarding and fun it can be to spend time outdoors together is what REI's [Passport to Adventure](#) program is all about.

REI's *Passport to Adventure* program was designed to remove barriers to experiencing the joys of nature and outdoor exploration. The free program, suitable for ages 5 to 12, includes an adventure journal where kids can draw pictures, play games and jot down their thoughts about their outdoor experiences. Kid-friendly local hikes and bike rides are recommended by REI employees. Directions and other helpful tips are also included.

After finishing an outdoor adventure, kids can receive a free prize for future outdoor adventures and certificate of completion.

Kids Passport to Adventure (participants)



## Highlights

In 2008, nearly 24,000 participants registered and picked up free adventure journals at their local REI store. Journals could also be downloaded at REI.com. This represents an increase of nearly 71 percent over 2007. Approximately 17.5 percent of the participants who picked up information packets returned to REI with completed journals, an increase of more than 75 percent over 2007.

## Challenges

REI's *Passport to Adventure* program was originally developed as a summer program. Through an analysis of participant completions and input from our regional teams, we recognize the program has its limitations in very warm climates. In some communities, families aren't inclined to spend time outdoors because of extreme heat despite their interest in the program. Retail teams also need useful tools for outreach efforts within their stores and communities.

## Looking Ahead

In 2009 the co-op is making several program enhancements. These include lengthening the duration of the *Passport to Adventure* program, incorporating an online completion form and exclusive children's activities on REI.com, increasing in-store marketing support, and reaching out to Latino communities through direct mail marketing materials written in Spanish.

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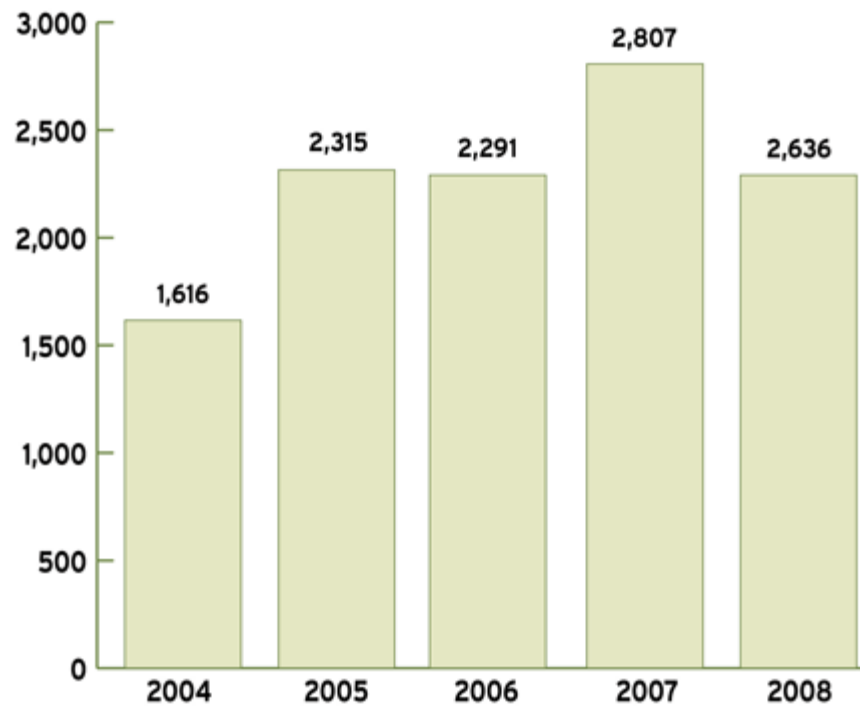
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## REI Gear Bank

REI's Gear Bank was developed to support youth-focused nonprofit organizations that lack the resources to outfit young people for outdoor adventures. The Gear Bank program overcomes this barrier by loaning high quality gear and equipment free of charge. With access to essentials such as tents, backpacks, sleeping bags, sleeping pads, rain gear, camping stoves and cook sets, nonprofits can introduce young people to the joys and benefits of memorable outdoor experiences. To date, the program has given more than 13,400 youth access to the equipment they need to get outside and enjoy nature.

Gear Bank (youths)



## Highlights

In 2008 REI's Gear Bank expanded from five to six cities, including:

- Atlanta, GA (added in 2008)
- Bloomington, MN
- Denver, CO
- Los Angeles, CA
- San Francisco, CA
- Seattle, WA

We're proud of Gear Bank's track record helping young people experience their first hiking or camping trip. In 2008 we helped 2,636 young adventurers experience the outdoors – down slightly from 2007. In select markets where we have existing relationships with nonprofits that help get children outdoors, we also provided rental gear free of charge, when available.

## Challenges

We expanded into Atlanta at the end of 2008, which did not significantly increase our Gear Bank participation. Further, the number of young people who took advantage of REI's Gear Bank program decreased in 2008. One significant reason is that groups are utilizing provided gear for longer periods of time, such as one week versus a weekend, thus making equipment less available to others.

## Looking Ahead

In 2009 REI will open an additional Gear Bank in San Diego. Both the San Diego and Atlanta Gear Banks align with our efforts to connect with and support outdoor recreation experiences in ethnically diverse communities, as part of our [Diversity and Inclusion initiative](#). We look forward to growing the program in order to help even more young people overcome a basic barrier to getting outside: lack of gear.

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## Conservation

Every outdoor enthusiast has a personal connection to nature through their varied interests, skill levels and preferred recreation areas. We are dedicated to protecting public parks, trails and waterways to ensure that they are available, safe and pristine – today and for generations to come.

In this section we provide information about REI's conservation efforts. These include our store-based involvement of employee teams, partnerships with local organizations, and the education of today's youth so that they begin a life-long journey of serving as a steward of the environment. Specifically:

[Community-Based Grants and National Partnerships](#)

[Celebrating and Promoting Volunteerism](#)

[Promoting Environmental Awareness in Kids - PEAK](#)

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## Celebrating and Promoting Volunteerism

Volunteer service is an ethic that has been an important part of REI for more than three decades and is embedded in the co-op's core purpose. Over the years REI has promoted outdoor stewardship by encouraging volunteerism through service projects, education and support of organizations at both the local and national levels working to maintain and enhance outdoor recreation opportunities. Central to this work is our support of active stewardship which is accomplished by working hand-in-hand with our members and customers. To achieve this, REI hosts, promotes and participates in conservation-focused events across the country where we have a presence and we support numerous national groups which are working in support of trails, habitat, climbing areas waterways and more.

REI's service ethic extends to the strong encouragement of employee volunteerism as well. This includes the incorporation of service into many business activities, such as new employee orientation. Volunteer board service is also encouraged and recognized, and REI's grant program favors nominations of programs and projects that include active employee engagement.

### Highlights

In 2008 the co-op's community outreach efforts included grants to nonprofits that supported and will support a wide range of service projects. These projects have or will deliver more than 1,573,000 hours of labor from 130,347 volunteers.

In addition, REI led 785 projects where 40,281 volunteers donated 159,299 hours of sweat equity devoted to conservation.

### Challenges

REI does not have a mechanism for tracking employee volunteer hours or board service.

Our public lands are facing significant funding challenges in the current economic crisis. There is tremendous pressure on land managers to effectively operate park lands and other recreational infrastructure. In this environment, volunteer service has never been more important because it helps with the support of otherwise unaffordable maintenance and enhancements. Further, an active volunteer base demonstrates a support and constituency for outdoor recreation and the lands upon which it depends. REI is committed to continuing support of this important work. At the same time, given our need to ensure a strong focus on serving the retail needs of our members and tighter resources necessitated by the current economic situation, we are actively looking at how to focus our efforts in a ways that enhance or multiply our work. In our direct service efforts we will focus on high quality and enduring partnerships; nationally, we will continue to work with key partners to leverage our donations and resources to maximum effect.

### Looking Ahead

Service is at REI's core and embedded in our mission. As many public land managers struggle in the years ahead with the lingering effects of the economic crisis, continuing to engage and support in service will play an increasing important role. REI also has an amazing base of employee talent that we will further encourage to become active in support of important community causes.

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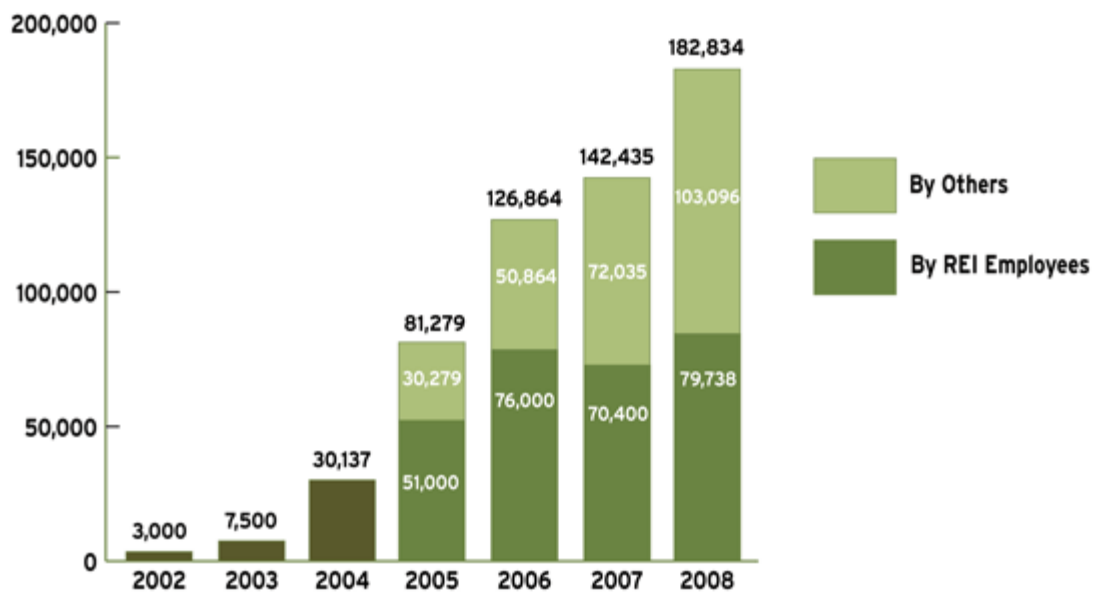
## PEAK

The co-op has an important role to play in ensuring youth develop an early appreciation for nature. Young people who are aware and engaged will be better prepared to protect and care for outdoor spaces and will promote outdoor ethics by sharing their experiences with peers. If we are successful, these youth will continue to champion natural spaces throughout their lives.

One of our most effective youth outreach efforts is the [Promoting Environmental Awareness in Kids](#) program, or PEAK. PEAK was developed in partnership with the [Leave No Trace Center for Outdoor Ethics](#) to inspire a love of the outdoors in young people while teaching them to be responsible environmental stewards.

The interactive program incorporates a series of hands-on fun games, activities and lessons. REI employees and PEAK trainers visit classrooms, events and organizations across the country each year to remind young people to stay on trails, pack out their trash, make sure they are prepared, and leave recreation areas how they found them. Twelve learning modules are available in Spanish, providing an additional tool to reach a more diverse youth population.

Youth Reached Through PEAK



## Highlights

In 2008, PEAK reached 182,834 children nationwide through direct outreach from REI and the efforts of our partner organizations – an increase of 28 percent from the previous year.

REI provided a grant to the American Camp Association in the northeastern United States to help fund the training of 100 camp staff in support of the program. This "train the trainer" model resulted in REI and Leave No Trace receiving an award from the American Camp Association in early 2009.

## Challenges

While we are encouraged by the increasing number of youth reached through PEAK annually, our internal resources to provide outreach through the program are limited. Increasingly, our reliance on partnerships with other organizations is essential to the program's success.

## Looking Ahead

Promoting environmental stewardship among youth and teens remains a priority for REI, and we recognize the challenges within our own outreach efforts. We look forward to strengthening our relationship with Leave No Trace and being a strategic partner with them to identify areas of improvement so we can collectively continue to nurture the future caretakers of the natural world.

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## The REI Foundation

Created in 1993 as a private foundation supported by the co-op, today the [REI Foundation](#) focuses on ensuring that tomorrow's outdoor enthusiasts and conservation stewards reflect the diversity of the country. Believing that love and respect for the natural outdoor world is initiated early in life, the Foundation directs much of its work toward young people.

### Highlights

In 2007, a diverse cross section of public and private leaders – elected officials, thought leaders, corporate executives (including representatives from REI) and nonprofit CEOs, educators and others – participated in the National Forum on Children and Nature, hosted by [The Conservation Fund](#). The Forum is dedicated to reconnecting today's youth with nature.

In 2008, the Forum and its advisory panels solicited and evaluated more than 500 proposals for projects that improve children's connection to nature. The result of this national effort was the endorsement of more than 30 nonprofit projects. From this group the REI Foundation funded several projects, including:

- The National Audubon Society based in New York City. The REI Foundation provided a grant to support Audubon's efforts to engage children from Latino communities with nature in urban areas, with a focus on nature centers in Los Angeles, Seattle and Phoenix. (\$110,000)
- The Earth Team Environmental Network in Berkeley, Calif. The REI Foundation's grant to this organization supported Earth Team's Eco-Stewards program. The environmental education and restoration program integrates instruction and hands-on field work to connect youth with nature and to foster the use of new media, empowering them to become environmental stewards through restoration projects in their own community. (\$14,000)
- Aquatic Adventures: SEA Power Initiative in San Diego, Calif. SEA Power is focused on young people from CityHeights – a traditionally underserved and highly urbanized community. The grant from the REI Foundation will make it possible for approximately 60 young people of color to participate in a number of programs that will increase their engagement with nature and create lifelong stewards. (\$20,000)
- Outdoor Outreach: Outdoor Leadership Program in San Diego, Calif. The Foundation's funds will support paid internships for ten youth leaders serving as assistant instructors helping to run 275 outdoor trips – such as hiking, backpacking and mountain biking – for 700 youth. (\$25,000)
- WILD Coast: Border Clean Water Campaign in San Diego, Calif. With support from the REI Foundation, WILD Coast will expand its Border Clean Water and Otay River Valley Campaigns to reduce the environmental and public health threats associated with pollution in the Tijuana River and increase access to healthy recreational areas. (\$25,000)
- YMCA of San Diego: Al Fresco. The goal of Al Fresco is to increase knowledge and participation in outdoor recreation and environmental stewardship activities for children and their families attending four San Ysidro elementary schools. The REI Foundation's support will allow the YMCA to serve a population that is over 80% Hispanic. Grant support will also develop YMCA staff members' outdoor recreation and education skills, extending the life of the grant for many years. (\$17,084)

A secondary purpose of the Foundation is for support of relief efforts in response to natural disasters around the globe. In 2008, the Foundation provided \$20,000 in support of relief efforts for the earthquake in the Sichuan Province of China.

In 2008, in response to the interest of REI members, it became possible for members to request that REI donate their patronage refunds to the Foundation. Provided as a service to interested members, this offering generated less than \$1,000 in donations in its first year.

### Challenges

The Foundation reoriented its mission in 2008 and is presently in the process of building its program direction, which has included work to develop funding strategies and relations with key non-profit partners. This work is continuing in 2009 with a focus on increasing participation in the outdoors. Given the enormity of the task and the Foundation's limited resources, a sharp strategic focus emphasizing high leverage efforts is essential.

### Looking Ahead

In 2009, the REI Foundation will continue to fund programs and organizations focused on helping children reconnect with nature, especially children in underserved communities and communities of color. Given the nature of the economy, available funds for grant giving are not expected to grow over 2008.

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## Advocacy for the Outdoors

Advocating for the outdoors and outdoor recreation includes engaging with policymakers at the national, state and local levels. REI has a tradition of advocacy, and we pursue public policy efforts that protect, maintain and ensure access to outdoor recreational lands. REI also monitors, educates and occasionally engages in efforts that are supportive of the co-op's business interests.

We define our policy work by conducting an internal review of our business needs and weighing these needs against opportunities and threats in the public policy arena. We also look at the policy interests of the greater outdoor industry, Outdoor Industry Association (OIA), outdoor user groups, and conservation organizations and other trade associations.

### Highlights

In 2008, REI worked to address two key issue areas as part of its public policy agenda, which included advocacy for public lands and trade issues relevant to REI's interests. During the year, we put forth our greatest effort in advocating for public lands.

We supported efforts to ensure appropriate funding of federal lands for recreational and conservation purposes, including work to support the National Park Service's Centennial Initiative. The Centennial Challenge campaign was launched in 2006 to help prepare the National Park System for its 100th anniversary celebration in 2016. Our work on behalf of the Centennial Challenge campaign began in 2007 when we supported the creation of the Centennial Initiative and served as a participant in a Department of Interior visioning session. We also supported advocacy for funding and authorizing legislation in support of the Challenge. This included the successful appropriation of \$25 million for pilot projects in the 2008 and 2009 Interior budgets.

REI also voiced its support for the official designation and funding of the Bureau of Land Management's (BLM) National Landscape Conservation System, which protects some of the most pristine lands managed by that federal agency. The NLCS creates a specific recognition of approximately 26 million acres of the BLM's most unique and important lands. Lands included in the NLCS represent 10 percent of BLM land but account for a third of all recreation on BLM lands.

Currently, nearly half of the United States Forest Service's budget is diverted to address firefighting efforts. It is believed that climate change is leading to a higher incidence of catastrophic fires, causing the Forest Service to spend significantly more each year to suppress these events. REI advocated for increased funding dedicated to the Forest Service's efforts to address catastrophic fires, which in turn will allow more of the agency's budget to be directed toward conservation efforts. While this effort was unsuccessful in 2008 budget, work on this important issue continues in 2009.

REI continued to support the Land and Water Conservation Fund (LWCF) with an emphasis on the stateside grants program in 2008. This program provides states with federal funding for development of recreation opportunities. Our interest in this program is tied to the strong belief that providing access to outdoor experiences close to home is an important first step in creating lifelong outdoor enthusiasts. Lobby efforts by REI and a broad coalition of other outdoor, conservation and community organizations have again preserved funding for the state-side LWCF, at \$25 million, which is encouraging but far short of a desired \$125 million.

REI supported efforts by the Outdoor Industry Association to reduce tariffs placed on imported recreational performance outerwear. Currently this unique product group is classified in a very broad, antiquated category that is not reflective of current manufacturing realities. This was supported by a report from the International Trade Commission which concluded that there is no commercially viable recreational performance outerwear industry in the United States. The tariffs in this product category run as high as 27 percent, which increases the cost of goods to consumers and limits innovation and addition of performance features. Efforts to forward a bill eliminating these tariffs in 2008 were unsuccessful.

On the state level, REI continued its ongoing engagement and leadership in the Washington Wildlife and Recreation Coalition (WWRC). The WWRC is a broad-based coalition of government agencies, nonprofits and businesses working together to support capital budget funding of the WWRC program that supports acquisition and protection of recreational lands, habitat and farms in Washington State. One member of REI's leadership team serves on the board of directors for the WWRC. In 2008 the coalition's efforts were primarily educational and organizational in preparation of the 2009 legislative session.

### Challenges

The weak economy is having a significant impact on already tapped federal and state budgets, which in turn is increasing pressure in all funding areas, including public lands and the environment. It is clear that budget cycles for the foreseeable future will be challenging and that it will take an even more concerted effort to prioritize and fund public lands appropriately. Budget pressures will also make acquiring needed public lands and developing access and infrastructure for these lands more difficult when balanced against increasing pressure on operations and maintenance budgets. This is not a new issue but significant budget challenges, especially at the state level, have changed the dynamic greatly. Whereas in the past the balance was between new projects and the maintenance of existing properties, the conversation will increasingly shift to how to keep the existing base available to the public. REI and outdoor businesses have a unique voice in this discussion as we can demonstrate to decision-makers that there are important economic and social benefits that accrue from public lands.

### Looking Ahead

Our goal for 2009 is to continue bringing a business voice to recreation issues. We will strive to strengthen our coalition with others in the outdoor industry, nonprofits and outdoor user groups to help ensure we have the greatest positive impact when it comes to advocating for our public lands.

We will also continue to focus on ways to engage a broader audience in outdoor recreation, particularly young people and diverse populations. Part of our targeted approach to engage people in the outdoors involves advocating for the public benefits that come with outdoor recreation. These benefits include the potential for a healthier population which in turn benefits society.



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## Greenhouse Gas Emissions

There is substantial evidence that greenhouse gas (GHG) emissions are the root cause of global warming. Global warming is a clear threat to the natural environment and, as a result, a direct threat to our continued success. The core human-powered outdoor activities supported by REI's business and popular recreational destinations are at risk as climate change accelerates.

In 2008, record oil prices had an impact on almost all of our business operations. However, with these challenges came opportunity. Looking at our business activities through the lens of climate impact allows us to see strategic opportunities for our business that we otherwise might have missed if we hadn't understood these connections.

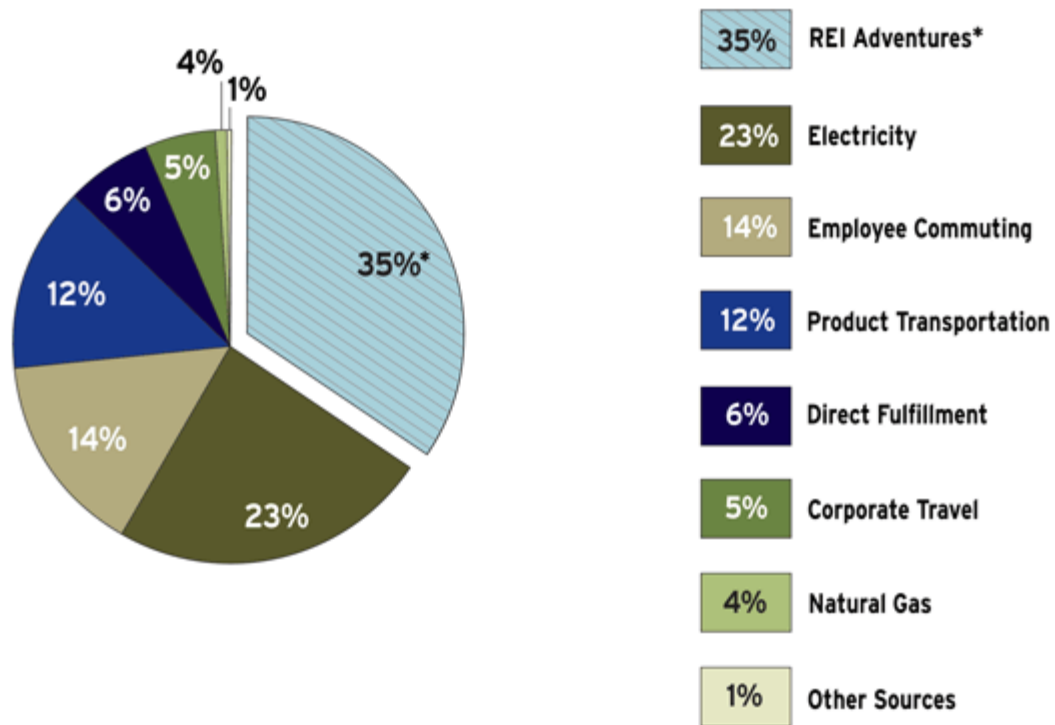
At REI, we actively reduce our contributions to climate change by identifying the GHGs generated throughout our operations and finding sustainable business solutions to dramatically reduce and eventually neutralize these GHGs.

**Climate Aspiration:** Become a climate-neutral company by 2020

**Intermediate Climate Goal:** Reduce our climate impact by 1/3 from our 2006 baseline by 2009

In 2008, we conducted our third annual greenhouse gas inventory. We identified and measured the following sources throughout our operations:

### REI's 2008 Greenhouse Gas Emissions



\*Offset using Renewable Energy Credits from Bonneville Environmental Foundation.

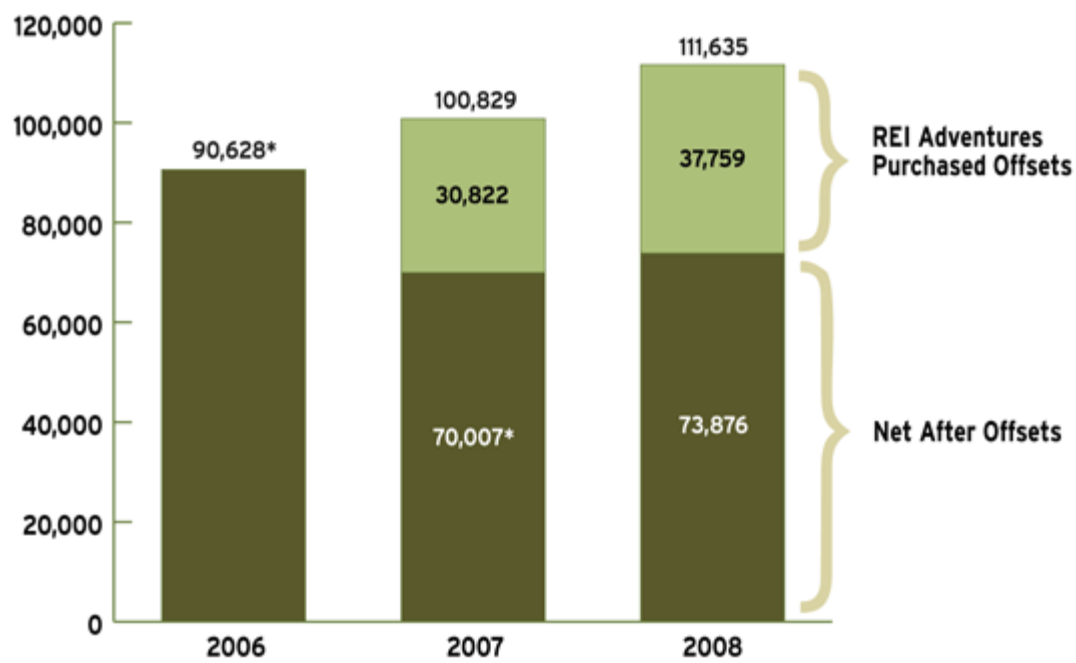
These sources can mostly be grouped into three activities of REI's operations:

- Using [energy](#)
  - Electricity and natural gas
- [Moving people](#)
  - Impacts from customers on REI Adventures trips
  - Employee commuting
  - Employee travel
- [Moving product](#)
  - Logistics to move product around the world and country
  - Direct shipment of packages to our customers

Our greenhouse gas footprint is based on the methodology of the Greenhouse Gas Protocol, a joint project of the World Resources Institute (WRI) and the World Business Council for Sustainable Development. Our footprint includes the direct and indirect impact of our operations, including product transportation (WRI scope I, II and III). We know that product impacts are also important contributors to our environmental impacts and we are addressing the [product supply chain](#). The details of how we measure our environmental impacts can be found in the [methodology appendix](#).

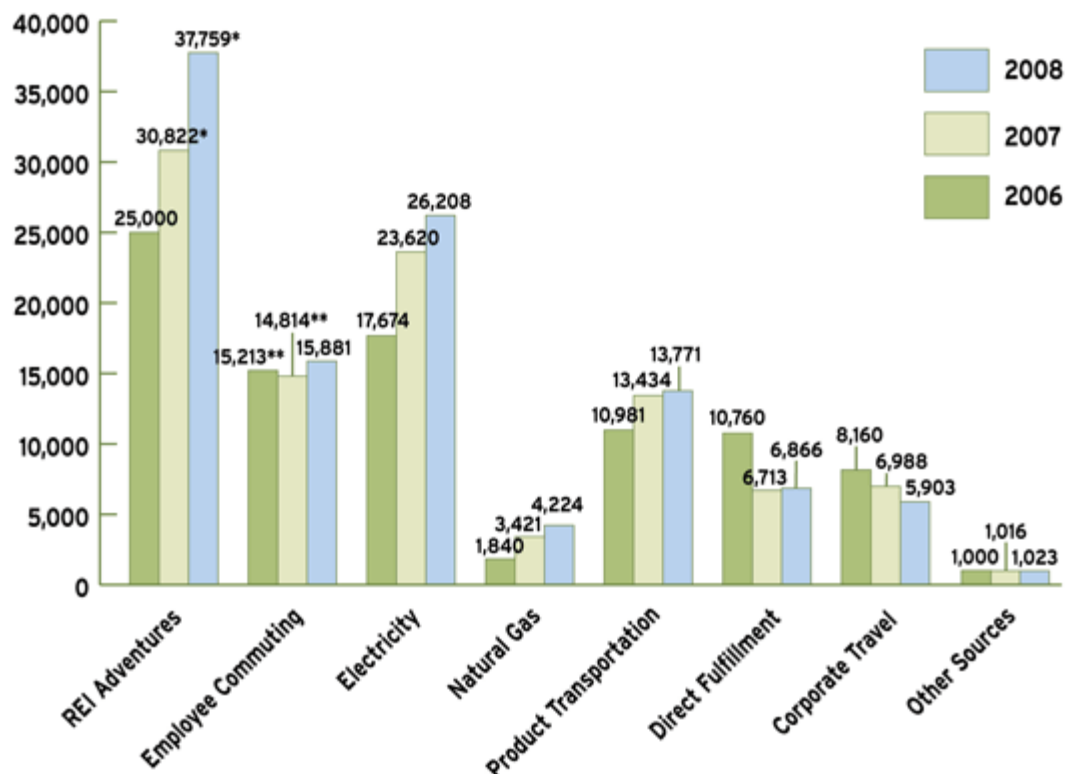
The following section details our overall work on climate change, and individual sections give specific information about the major components of our greenhouse gas footprint.

### Carbon Footprint (Tons CO<sub>2</sub>)



\*Adjusted number reduced from previous versions due to revised employee commuting methodology.

### Greenhouse Gas Emissions (Tons CO<sub>2</sub>)



\* Offset using Renewable Energy Credits from Bonneville Environmental Foundation.  
 \*\*Adjusted number reduced from previous versions due to revised employee commuting methodology.

## REI's Sources of Greenhouse Gas Emissions

It is useful to understand two terms we use to refer to climate change at REI. "Greenhouse gas footprint" is the total amount of greenhouse gases that REI is responsible for converted into the equivalent amount of carbon dioxide. Our "climate impact" is the net contribution REI has on climate change, after our carbon offsets are subtracted.

## Highlights

In 2006, we communicated our long-term goal to be a climate-neutral company. Since that time we have taken action to reduce our climate impact, add business value to REI, and make our business stronger and more stable by hedging against future high costs of fossil fuels.

Using 2006 as our baseline, when we had the equivalent climate impact of over 90,000 tons of CO<sub>2</sub>, we set an intermediate target to lower our total emissions to 60,400 tons (one-third less than our 2006 emissions) by 2009. Had we allowed our emissions to grow without putting carbon reduction efforts in place, we would expect to generate 150,000 tons of CO<sub>2</sub> equivalent climate impact by 2009.

Through some successes between 2006 and 2008, we significantly slowed the growth of our footprint and brought our climate impact close to our upcoming 2009 goal, all while growing our business at a responsible rate.

Our successes have included seeking financially stable sources of renewable energy, including generating our own energy through [solar power](#), finding ways to minimize the carbon impact of [transporting goods](#) through less carbon-intensive shipping methods, and in one case, purchasing [carbon offsets](#) when no other options were available. These efforts reduced our climate impact to the equivalent of releasing 73,876 tons of CO<sub>2</sub> into the atmosphere.

2008 showed us very clearly the connection between climate impact in our business operations and the volatility of fossil fuel prices. We also learned that our lines of business that were most ahead of managing their CO<sub>2</sub> impact avoided what would have been even larger fuel surcharges and unbudgeted costs by proactively implementing efficiency solutions ahead of time.



## Challenges

Despite our successes, in 2008 our greenhouse gas footprint grew by 11 percent (from 100,820 tons in 2007 to 111,635 tons in 2008). This increase was primarily caused by the continued growth of the co-op, which included opening nine stores. We have reduced the rate of increase, but we have not completely decoupled our growth from an increasing climate impact. A significant impact in 2008 was the first full year of operation for our Bedford, PA distribution center. Although Bedford was built to be energy efficient (see the [green building](#), this new facility did add 525,000 square feet (over 13 percent) to our overall building footprint, which contributed to the increase in our total energy usage.

Though we aggressively pursued long-term greenhouse gas reduction strategies, we were still faced with short-term challenges. Several segments of our greenhouse gas footprint are coupled to business volume. In these cases more business does—for now—directly increase our climate impact (such as [product transportation](#) and [air travel](#)). Looking closely at our 2009 goal of reducing emissions by one-third below 2006 levels, we have had significant success, but we see some clear challenges and may fall short of our goal.

Additionally, the wide swings in the costs of fossil fuels presented challenges in our business planning. As fossil fuels become more volatile in their price, the need for cost stability goes up. However, the increased volatility also makes it harder to financially model returns from investing in progressive projects like renewable energy.

## Looking Forward

Because climate change poses such a significant impact, finding business-savvy solutions to how we operate our business will continue to be an essential component of REI's stewardship efforts. Even with the challenges we face in the short-term to achieve our 2009 goal, we are striving to be a climate neutral company by 2020. The next set of successes will require creative solutions that we haven't discovered yet—but holding ourselves accountable to this goal will drive us toward the right business solutions that also minimize our environmental impact.

How are we doing? [Give us feedback](#) on this page.



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- Miscellaneous GHG Emissions

Paper Usage

Waste & Recycling

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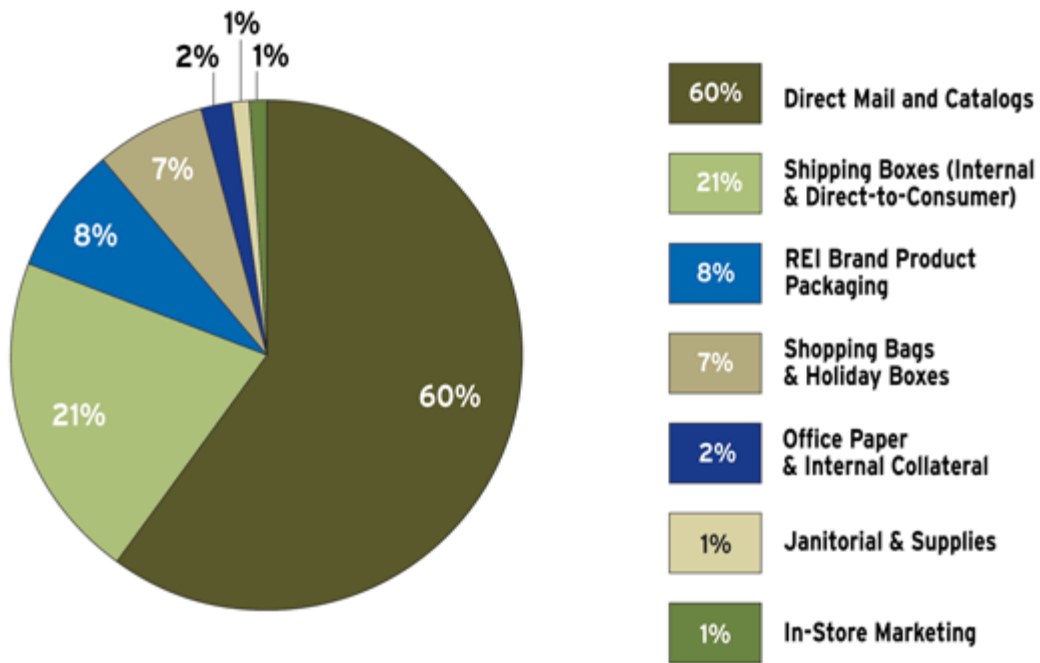
## Paper Usage

The environmental impact of the paper products we use is a significant contributor of REI's footprint. The connection between healthy forests, outdoor recreation, and the paper fiber we use in our operations is clear. We believe that forestry products can be a preferred alternative to other materials such as plastics, if sourced and produced in sustainable ways.

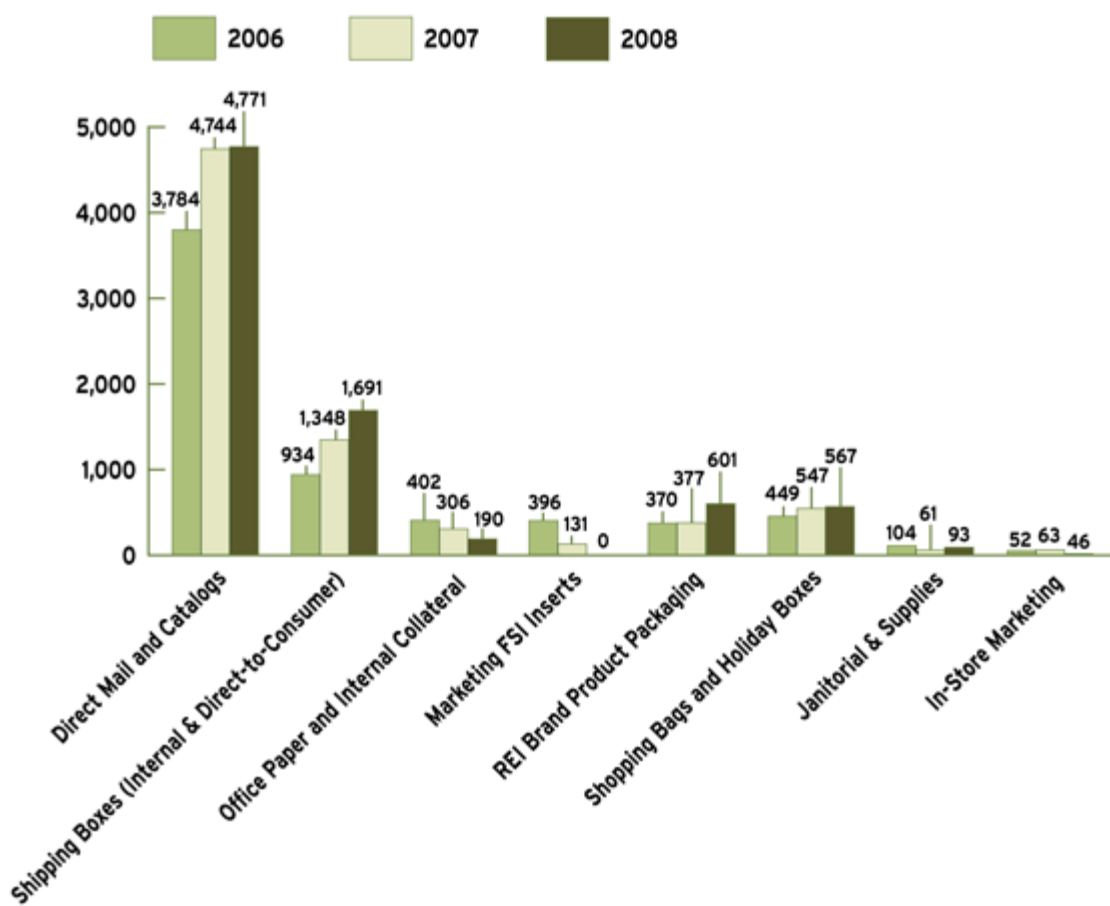
REI's [paper and paper products purchasing policy](#) helps us align our supply choices with the co-op's core purpose. All of our paper products are evaluated on the percentage of fiber that comes from acceptable or certified sources. We strongly prefer post-consumer waste or virgin fiber harvested from Forest Stewardship Council (FSC) certified forests. We attempt to avoid buying products where the fiber comes from unknown or unwanted sources.

REI has a set of paper goals that have extended from 2006 through 2009. The metrics we track –and our progress– are listed in the charts and tables below.

2008 Estimated Paper Usage



Paper Usage (Tons)



## Paper Efficiency

	2005	2006	2007*	2008
Annual Sales (MM\$)	\$1,022	\$1,182	\$1,342	\$1,440
Total Paper (Tons)		6,491	7,577	7,969
Total Paper Efficiency (MM Sales \$ / Tons)		0.182	0.177	0.181
Total Virgin Fiber (Tons)		4,828	5,974	5,806
Virgin Fiber Efficiency (MM Sales \$ / Tons)		0.245	0.225	0.248
Direct Mail (Tons)	3,769	3,785	4,744	4,771
Direct Mail Efficiency (MM Sales \$ / Tons)	0.270	0.310	0.283	0.302

\* 2007 report provided preliminary annual sales figures. Data have been updated.

## Chain of Custody Goals

	Est. 2005	2006	2007	2008 Goal	2008 Actual	2009 Goal
Unknown	29.0%	20.0%	10.8%	10.0%	9.0%	< 2%
Known	71.0%	79.0%	72.4%	80.0%	65.3%	83.0%
Certified	0.0%	<1%	16.8%	10.0%	25.6%	15.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

## Source of Fiber Goals

	Est. 2005	2006	2007	2008 Goal	2008 Actual	2009 Goal
Unknown	16.0%	19.8%	11.5%	7.0%	6.4%	< 2%
Undesirable		1.8%	5.6%	8.0%	8.5%	< 5%
Recycled	20.0%	25.6%	21.2%	27.0%	27.1%	30.0%
Acceptable	64.0%	52.8%	50.0%	48.0%	39.0%	48.0%
Certified		0.0%	11.7%	10.0%	19.0%	15.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

## Highlights

In 2008, we continued to move away from unknown and undesirable fiber sources and toward post-consumer recycled, acceptable (fiber that doesn't come from undesirable sources, but hasn't been certified) and paper from FSC-certified sources. Although difficult in many cases, we attempt to follow the chain of custody from the forest to our point of purchase.

REI made significant progress in its paper purchasing practices in 2008. While the total paper usage (by weight) grew by about 5 percent over 2007, it was less than REI's rate of business growth of 7.3 percent. We came in under our 2008 goal of 15 percent maximum use of unknown and/or undesirable fiber sources at 14.9 percent, and our purchase and use of certified, post-consumer recycled and acceptable paper was 85.1 percent, slightly ahead of our 85 percent goal.

Our best assurance that the chain of custody is transparent is to purchase FSC-certified paper products. In 2008, we significantly increased our use of FSC-certified paper stocks to 25.6 percent, well ahead of the 10 percent goal we set for 2008. This included increased use of FSC-certified paper stock in product hangtags and several product packages. The percentage of post-consumer waste used in many REI-brand packages increased, ranging from 75 to 100 percent in many instances. The same was true for REI shopping bags, as we worked with our vendor to source bags made with 80 to 100 percent post consumer waste. Our vendor also began to seek FSC chain-of-custody certification for their bags, well ahead of the curve in this particular sector.

Our marketing team was especially successful in 2008 when it came to increasing the use of paper from known or certified sources. This shift was achieved with minimal expense, and our marketing team's customer-facing paper products, such as catalogs and direct mail pieces, represented 60 percent of our total paper usage in 2008.

## Challenges

While we have significantly increased the percentage of paper products that align with our values, our 2009 goal of purchasing less than 7 percent unknown and undesirable fiber sources will be difficult to meet.

Because we count our total paper footprint, we face challenges in finding financially viable and sustainable choices to operational supplies if the associated paper industries haven't adopted sustainability practices. Most of these challenges are with commodity supply items where the manufacturer buys bulk paper pulp and doesn't have visibility to its original forestry source. These items are necessary to our operations and have few alternatives that are known to come from sustainable sources, highlighting the need for collaborating with industry partners for change.

Also, 2008 saw extreme volatility in the market for recycled paper. The market for recycled paper pulp hit a record high in 2008 before crashing as the economy stalled. This volatility has had significant impacts on the financial viability of recycling paper, and these impacts will continue to impact recycled paper markets for several years.

## Looking Forward

Our work towards sourcing sustainable forestry products includes continuing to engage our stakeholders further up the paper supply chain to get closer to the forestry sources of fiber. This will require on-going involvement with a broad

range of stakeholders and our entire paper supply chain to create a more sustainable paper supply chain.

We will continue to look beyond the fiber sources in purchased paper products as we seek ways to reduce paper use and become more efficient in our operations. For example, Novara bicycles are shipped to REI in individual cardboard boxes. We are testing a new packaging system where multiple bicycles are shipped together, which will significantly reduce cardboard needed and will also deliver cost savings to REI.

As we pursue our 2009 goals, we need to increase engagement with all vendors and suppliers in our paper supply footprint. Certain areas where REI has a very small stake in enormous markets means we have little financial leverage to apply. Because of this, collaboration with other stakeholders across the industry is especially important. Doing so ensures we can work as an industry to increase the supply of responsibly harvested and processed paper.

In 2009 REI is reassessing the frequency of catalog mailings to ensure the co-op's marketing efforts are reflective of the changes in media and information consumption by customers today. These decisions will ultimately affect the quantity of paper the company purchases annually.

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## 2008 Stewardship Report

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## Waste and Recycling

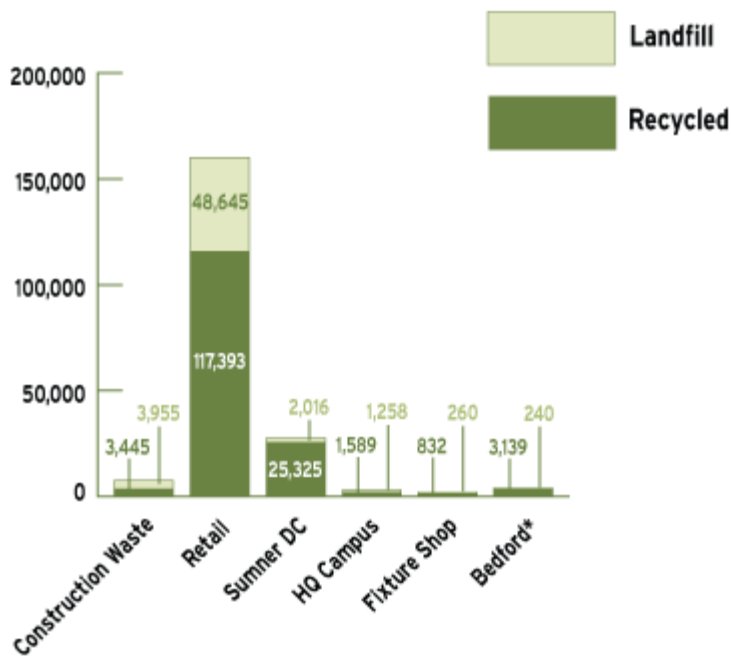
At REI, we aspire to be a zero waste-to-landfill business by 2020. This aspiration will drive our business practices to be much more effective and efficient. For example, in the future there will be no garbage dumpsters at any of REI's stores or other facilities.

Consider that REI pays at least twice for waste we send to the landfill: once for the hidden costs that bring the waste into our operations and again to dispose of it. To achieve our 2020 goal we must continue to take very aggressive actions on waste reduction and recycling. These actions need to move beyond the traditional thought of "reduce, reuse, recycle" to include reengineering products to eliminate waste from the beginning of the manufacturing cycle. This work must occur throughout our operations: from the point of purchase for inventory to working with local solid waste utilities where our retail operations, distribution centers and offices are located.

REI's waste numbers in the 2008 report build on our first comprehensive waste audit, conducted in 2007, and correct some previous inaccurate assumptions about waste volumes. As a result, the graphs below do not provide a year-over-year comparison.

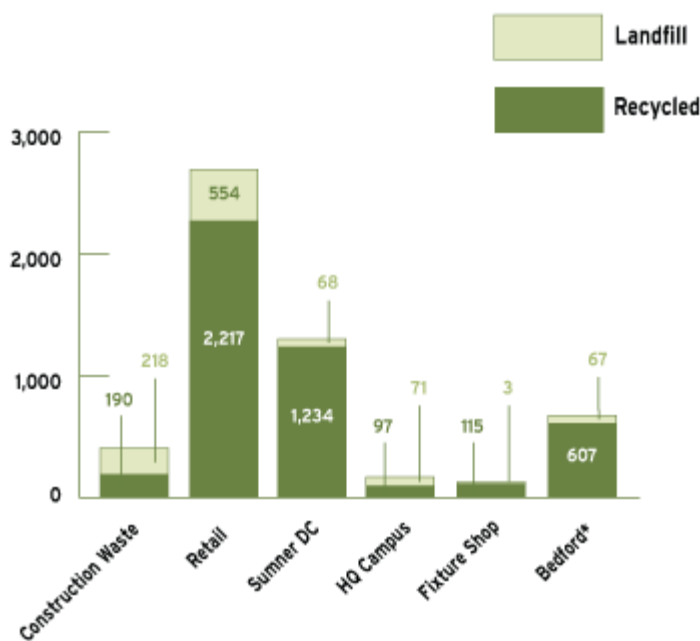
<b>Aspiration:</b> zero waste-to-landfill by 2020
<b>Intermediate Goal:</b> 50 percent reduction in waste-to-landfill from 2006 to 2009

2008 Waste Stream (Cubic Yards)



\* Partial year of operation

2008 Waste Stream (Tons)



\* Partial year of operation

## 2008 Waste Summary

Tons				Yards			
	Recycled	Landfill	Percent Recycled		Recycled	Landfill	Percent Recycled
Construction Waste	190	218	47%	Construction Waste	3,445	3,955	47%
OPERATIONAL WASTE				OPERATIONAL WASTE			
Retail	2,217	554	80%	Retail	117,393	48,645	71%
Sumner DC	1,234	68	95%	Sumner DC	25,325	2,016	93%
HQ Campus	97	71	58%	HQ Campus	1,589	1,258	56%
Fixture Shop	115	3	97%	Fixture Shop	832	260	76%
Bedford DC	607	67	90%	Bedford DC	3,139	240	93%
Overall Operational Waste	4,270	763	85%	Overall Operational Waste	148,278	52,419	74%

Note: The waste charts and table were updated on October 6, 2009 to correct an error in overstating retail construction waste. The initial data was partially double counted for the 2008 calendar year.

## Highlights

The great majority of REI's waste stream across our business operations is operational waste such as cardboard and plastics, as well as construction waste from new facility construction and remodels. In 2008, we were relatively successful by recycling approximately 85 percent of our operational waste by weight (4,270 tons) and 74 percent by volume (148,278 cubic yards).

In 2008, we focused more closely on product packaging. For example, we redesigned many packaging systems for REI's branded gear and apparel and reduced the volume of packaging material, reduced shipping costs, and minimized the labor required to stock these items.

Reducing our waste requires different strategies for different locations. For example, consider our two distribution centers in Sumner, WA and Bedford, PA. At each distribution center, we recover nearly 100 percent of all cardboard, the dominant waste stream at both locations. These two locations represent about 20 percent of REI's total building footprint, with a combined square footage of over 1.2 million square feet. In addition to cardboard, our distribution centers generate significant volumes of other wastes, including wooden pallets, plastic films and wraps, and even the waxed paper label backs from shipping labels. Our distribution centers have hundreds of employees who generate waste from their operations outside of shipping and receiving, such as cafeteria waste.

Employees at the distribution centers worked to divert waste from landfills. For example, actions at the Sumner facility in 2008 included increasing the number of recycling receptacles on site, seeking solutions for recycling hard plastics, creating collection points for scrap metal, and seeking opportunities to recycle individual items, such as the backings for shipping labels.

At our headquarters facility in Kent, WA, our waste stream resembles that of a typical office complex. As a result, this location generates a lower percentage of waste by comparison. Paper is the most common material in our headquarters' waste stream. We have significant recycling options in place for paper recycling, battery recycling, and organic food waste composting. REI's headquarters composting program has been very successful, allowing us to collect food and food-related waste from our on-site cafeteria for delivery to a local commercial composting company. Through this effort, we have reduced the need to empty our landfill dumpster at the campus cafe by 50 percent, saving several thousand dollars per year in waste disposal costs and offsetting the costs and impact of commercial collection of our food waste.

Our retail locations show the greatest range of cost when it comes to solid waste disposal and available recycling and other diversion options. To help address this, we have been implementing solutions in our stores in addition to recycling. For example, we continued to install ultrasonic cleaners in many of our bike shops in our stores. This provides significant savings by eliminating a hazardous waste stream (solvents used for parts cleaning) and an additional savings in the form of labor as our bike mechanics no longer need to scrub parts by hand.

## Challenges

Managing waste is a significant expense and environmental challenge for REI, and this cost has grown faster than our business growth. Not surprisingly, we have found that services such as recycling, composting and other innovations in waste management are sporadic in different markets. This makes single solutions to waste reduction across all of our operations rare.

Our waste stream challenges at our retail operations include a significant amount of packaging from vendors, some of which is not recyclable in every city (such as plastic film). Helping to educate employees and finding the time and physical space to manage recyclables are additional challenges.

Measuring our waste stream is difficult at best. Because the waste industry generally charges per pickup at most of our locations instead of charging by weight or volume, we must conduct our own waste audits to get a more accurate picture of how full our dumpsters are prior to pickup.

Garnering accurate data for REI's annual waste generation continues to be a challenge. We corrected previously inaccurate assumptions from our first comprehensive waste audit conducted in 2007.

## Looking Forward

In 2009, we will continue to refine our data collection to get a more accurate picture of the volume of waste generated and waste stream makeup. We will also pursue more options for reducing waste further up the pipeline, since decreasing the packaging received at our distribution centers and shipped to our stores and customers decreases the waste we need to manage. For example, plastic shipping bags are used to ship apparel to REI's distribution centers and stores. They account for a significant portion of our waste stream, and in many locations cannot be recycled.

We will also work to refine methods for managing waste at our locations to reduce costs. For example, as we learn more about the volume of waste generated at each REI location, we will seek to lower disposal costs by putting smaller dumpsters in place. We will also pursue opportunities to collaborate with other companies located near REI stores to make programs such as composting viable. In addition, we will continue to work with local communities to help bring such programs on line, though this work is on a long timeframe.



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## Green Building

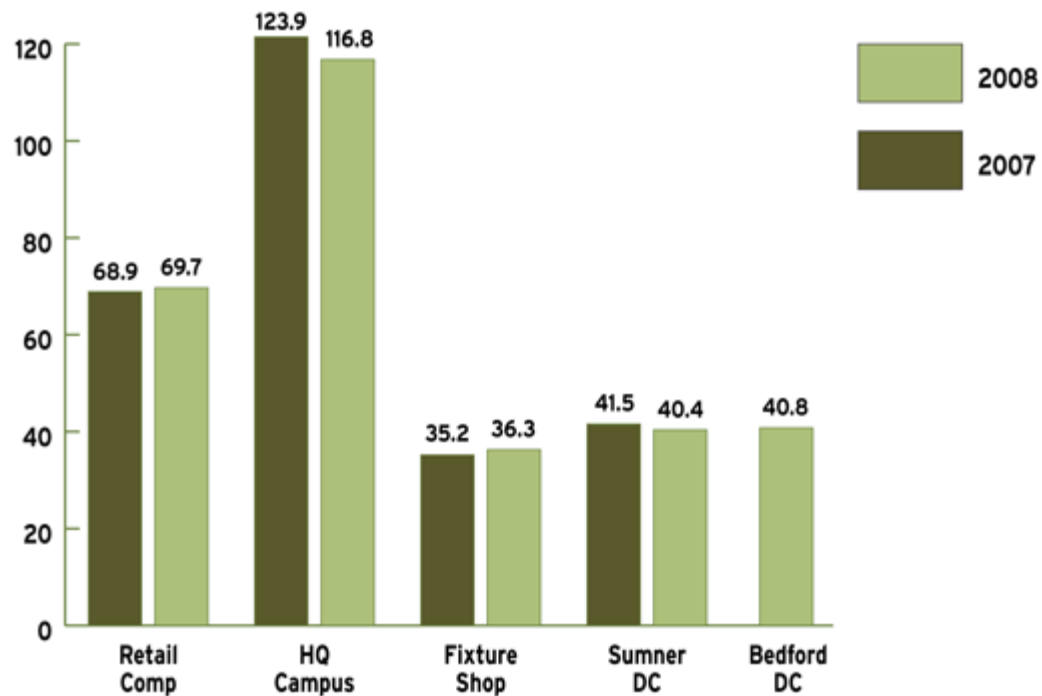
Our buildings enable us to provide positive employee and customer experiences, and serve as our most significant connections with communities. Collectively, our buildings also represent one of our largest environmental impacts and, therefore, one of the best opportunities to reduce REI's overall footprint.

Our green building aspiration includes all of our new construction, ensuring every new store or building incorporates sustainable design features. We want REI's buildings to achieve the lowest energy intensity in their class, and we strive to make our existing stores greener through retrofits and better environmental practices. We seek to design all of our buildings to reduce environmental impacts and operating costs while aligning them with the REI brand and values. While we don't pursue LEED (the US Green Building Council's Leadership in Energy and Environmental Design standards) for each new store or every store retrofit, our knowledge and experience with the LEED standards helps us minimize our buildings' environmental impacts. Our LEED Certified portfolio includes:

- Portland Store (LEED Gold for Commercial Interiors)
- Pittsburgh Store (LEED Silver for Commercial Interiors)
- [Boulder Store](#) (LEED Gold for Retail – Commercial Interiors)
- Bedford Distribution Center (LEED Silver for New Construction)

Because green building encompasses elements of several of our priorities—energy efficiency, renewable energy and waste reduction—our green building aspiration reflects how we intend to run our operations, how we create great experiences for our customers and employees, and how our building footprint impacts the environment.

Facility Energy Density (Kbtu / Square Foot)



## Highlights

In 2008, we expanded our green building prototype initiative with the opening of a new REI prototype store in [Round Rock, Texas](#). Our first prototype in [Boulder, Colorado](#), which opened in 2007, involved a significant state-of-the-art green redesign of an existing store.

Our Round Rock, Texas store represents the evolution of this initiative and was built from the ground up with a design that dramatically reduces energy consumption (48 percent less energy than stores that meet industry standards). The store features an energy efficient design, solar panel installation, solar hot water system and passive solar design. The store's design also includes the use of recycled and sustainable materials made from products such as sunflower seed husks, recycled tennis shoes, and reclaimed wood. We consider Round Rock a learning laboratory in addition to being a retail location, and we will apply lessons learned to future REI locations. We are pursuing LEED certification for this store.

REI was recognized by the Environmental Defense Fund for demonstrating technology and green building techniques developed for our prototype efforts could be quickly adapted to our other buildings. From solar hot water to energy efficiency to innovative materials, REI stores across the country have benefited from our prototype initiatives.

We continued to integrate green design into new stores built with traditional architecture and construction methods in 2008. For example, we installed solar panels on several of our stores, which helped our operations become more energy efficient and significantly reduced our GHGs. (See the [greenhouse gas emissions section](#) of this report for more information on our solar initiative.)

Our Bedford, PA distribution center earned LEED Silver certification for New Construction in 2008. At 525,000 square feet, our Bedford facility is also one of the very few distribution centers in the country to receive LEED certification. It incorporates energy efficiency concepts such as more than 360 skylights and windows, which bring in daylight and greatly decrease energy demand.

## Challenges

Even with strides toward greater efficiency, REI's total cost of energy from electricity and natural gas (excluding self-generated electricity) rose faster than our consumption in 2008. Despite energy efficiency gains, REI's total energy cost was just below \$7 million, up from \$6 million in 2007. Some of the increase was from using more energy, but much of last year's increase was due to record high fossil fuel prices in 2008.

Adding new stores and facilities will increase our core environmental footprint, even when these facilities are designed with energy efficiency in mind. Some energy efficiency technologies make financial sense, but many others are not yet financially viable.

## Looking Forward

As we move ahead, we continue to learn from efforts such as our prototype and solar initiatives. We will continue to apply the lessons learned to new and existing buildings in ways that make both environmental and economic sense.

We are developing operational systems to formalize how we measure operational efficiencies over time, including enterprise-wide energy metrics tied to budgeting. These efforts will help us understand the environmental impact across all REI facilities, enabling the development of strategies across all operations to reduce our environmental footprint.

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## Product Stewardship

Much of REI's environmental and social impact can be attributed to the products we sell. Ensuring that the products we sell are designed with the environment in mind requires examining each product's full lifecycle and identifying opportunities to reduce the environmental impacts in each stage of development. This requires collaboration across our industry and throughout the greater supply chain. We made progress in this area in 2008, and we also identified much of the work that lies ahead.

### Highlights

Because a large portion of our environmental impact comes from the products we sell, we have focused on industry collaboration to advance product stewardship within the outdoor industry in addition to the work we've done internally to address product stewardship and packaging.

In 2007, we introduced REI's [ecoSensitive label](#), identifying products that met specific criteria and which demonstrate improved environmental performance compared to their conventionally-manufactured counterparts. To qualify as ecoSensitive, a product had to be made with a high percentage of organic fibers—such as organic cotton, hemp, bamboo fiber or wool—and/or a high percentage of renewable or recycled fibers such as post-industrial recycled polyester, recycled polyethylene terephthalate (PET) plastic and polylactic acid (PLA). In 2008, we strengthened the criteria for a product to be called ecoSensitive. At the same time, the number of ecoSensitive products we offered increased from 40 in 2007 to more than 250 in 2008.

In late 2008, REI became a member of bluesign technologies ag, which allows the co-op to use the bluesign independent standard as part of its product design and sourcing process for REI-branded apparel and cycling products. We consider the bluesign standard as the strongest global solution available to proactively address textile environmental, health and safety strategy.

While we may have made considerable progress in the short-term by focusing solely on product stewardship internally, the benefits of external collaboration will enable a longer lasting and far-reaching impact. Our involvement with industry-wide collaboration through the Outdoor Industry Association (OIA) [Eco-Working Group](#) to develop a common framework to measure and report on the impact of outdoor gear and apparel continues. The OIA Eco-Working Group is a collaboration of over 90 outdoor industry brands, suppliers, manufacturers and other stakeholders working to create a shared methodology for measuring and reporting product impacts. One of our greatest opportunities as a prominent retailer is to be a connector of other like-minded organizations on efforts where we can participate in the influence of entire supply chains. This is a place where REI believes that cooperation is much more important than competition. In participating in the Eco-Working Group, REI is able to partner with like-minded peers to raise awareness of the importance of product stewardship within the outdoor industry as a whole, and among industry leaders in particular.

### Challenges

With the increase in popularity of manufacturers' marketing claims about the environmental and social merits of their products, we hear more consumer confusion around what these claims mean. As more suppliers pitch the "green" benefits of their products, the claims get harder to verify because of a lack of resources and available knowledge about each product. However, our efforts with the Eco-Working Group will help develop the tools necessary to validate the environmental claims of products, and our collaborative work with the industry in 2008 will ultimately come back to benefit our customers and the environment.

### Looking Forward

As we look ahead, we are revamping packaging for REI products in order to reduce our environmental footprint; our new packaging will be on store shelves in 2010. We have also formed a partnership with the Outdoor Industry Association's Packaging Working Group to help reduce the environmental impacts from product packaging across the outdoor industry. We anticipate this effort to will help reduce the industry's environmental footprint inside and outside the walls of REI.

The bottom line is that while product stewardship presents challenges, we must continue our work to provide products that are manufactured in an environmentally and socially responsible way.

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## Methodology

### Updates and Corrections

This report covers REI's 2008 fiscal year, and is our third annual report (following our [2006](#) and [2007 reports](#)).

- We report on all of our operations, which are all U.S.-based. The exception to our US-based operations is our international REI Adventures trips that run in 41 countries.
- We include the impacts from both owned and leased facilities.
- In one notable case, we report directly on third-party vendors to talk about our fair labor and factory compliance work, which details our efforts with our REI-brand gear and apparel supply chain. We contract all of our manufacturing to third-party vendors.
- Also, our report covers our operational footprint (both direct and indirect aspects) but it does not tackle accounting for the embedded environmental attributes of products.

We have five restatements and changes to note (which are also addressed in their respective sections).

1. We restated our 2006 and 2007 CO<sub>2</sub> data for employee commuting. Through more nuanced modeling in 2008, we were able to correct overestimations from previous years for the commuting impact of our retail employees. Our 2006 number drops from our previously reported CO<sub>2</sub>e of 20,000 tons to 15,213 tons CO<sub>2</sub>e. Our 2007 number drops from our previously reported CO<sub>2</sub>e of 17,130 tons to 14,814 tons CO<sub>2</sub>e. This restatement effectively makes reaching our 2009 climate goal more difficult.
2. We misreported REI total sales in 2007's Paper Efficiency Table. The table was built using a preliminary annual sales number of \$1.329 billion that was not replaced with our final audited number. The correction to \$1.342 billion has minor impacts on the efficiency ratios listed for 2007.
3. Our methodology for estimating our waste impact also became more refined in 2008. Thus, our 2007 and 2008 estimations are not directly comparable.
4. We changed our employee survey questions in 2008. Questions in 2008 are similar, but not comparable, to previous years.
5. Our employee demographic categories have been updated to match federally mandated EEOC (Equal Employment Opportunity Commission) classifications, so categories are not comparable to previous years.

Note: The waste charts and table were updated on October 6, 2009 to correct an error in overstating retail construction waste. The initial data was partially double counted for the 2008 calendar year.

REI's specific environmental methodology and policies are here:

- [Greenhouse Gas Methodology](#)
- [Renewable Energy Specification](#)
- [Paper Policy and Definitions](#)
- [Waste Methodology](#)

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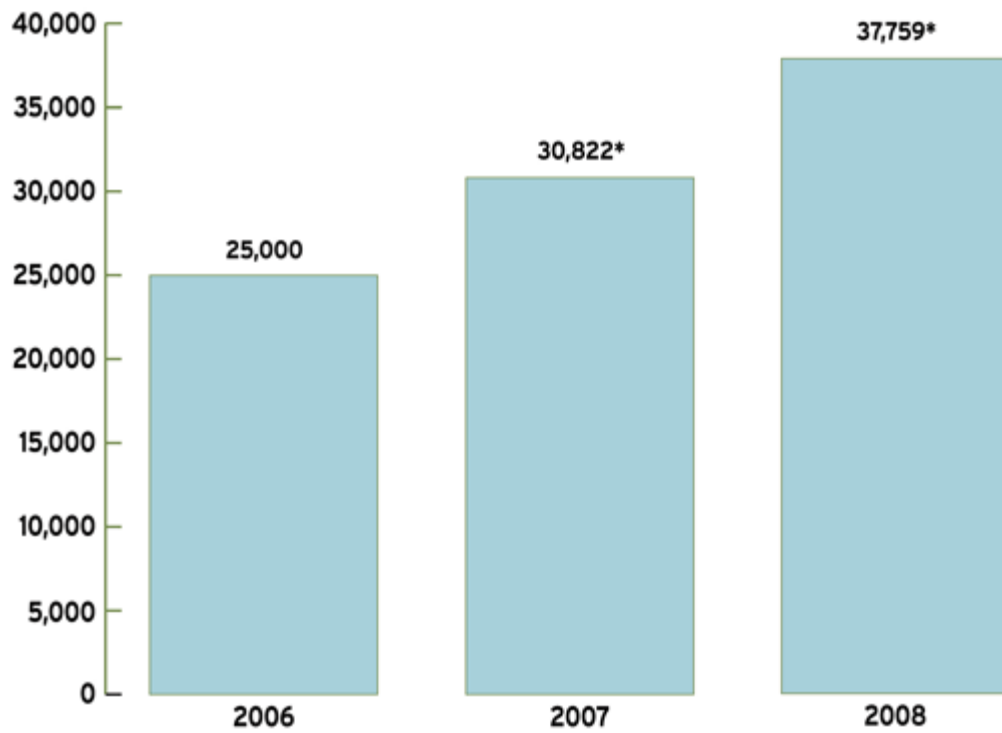
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## Climate-Neutral Travel

In 2008, our largest single source of GHGs continued to be from travel associated with [REI Adventures](#), our award-winning travel division. Thousands of REI members and customers take trips with us each year, and we account for the full climate impact of their travels within our footprint.

If sending customers and members around the world on amazing trips has such a large climate impact, why do we do it? REI Adventures' business complements REI's purpose to educate and inspire a lifetime of loving the outdoors. Additionally, REI Adventures trips connect travelers to unique and vibrant cultures and ecosystems around the world.

REI Adventures (Tons CO2)



\*Offset using Renewable Energy Credits from Bonneville Environmental Foundation.

## Highlights

In 2008, as in years past, we offset the full climate impact resulting from our customers' REI Adventures travels. We also continue to offset all ground travel associated with [REI Outdoor School](#), classes and outings that teach the basics of a range of outdoor activities.

Because travel—particularly air travel—has no existing climate-neutral options, this is the one segment of our business where REI pays to purchase carbon offsets. Because we offset our travel customers' climate impact, REI Adventures shifts from being the largest contributor to our greenhouse gas footprint to a climate neutral activity. Our partner in this effort is the Bonneville Environmental Foundation, and we've offset our trips without passing the cost on to REI's customers. Our choice of partner is intentional: when we purchase carbon offsets, they must be verifiable under a credible third-party certification system and should contribute to long-term systemic change.

Through this partnership, we offset the entire impact of our customers' travel from their point of origination to their trip back home. The climate impact of air travel is approximately 90 percent of the impact of an international trip, and we believe offsetting the total door-to-door impact is necessary. The carbon offsets we purchased in 2008 were equivalent to reducing the greenhouse gas footprint of REI by 37,759 tons of CO2.

## Challenges

As previously noted, no viable climate-neutral solution currently exists in the travel industry to eliminate the negative climate impact generated from air travel. Perhaps someday, the use of biofuels or other improvements in technology may be viable options. As REI Adventures continues to grow, the climate impact of travel associated with this portion of our business will continue to be our largest single source of greenhouse gas emissions. In 2008, we saw an increase in greenhouse gas emissions of 6,937 tons over 2007, with 30,822 tons of CO2 generated by REI Adventures in 2007 and 37,759 tons generated by the group in 2008.

## Looking Forward

With no other options available, purchasing carbon offsets for the climate impact of REI Adventures will remain the best option for addressing the climate impact of travel for the foreseeable future.

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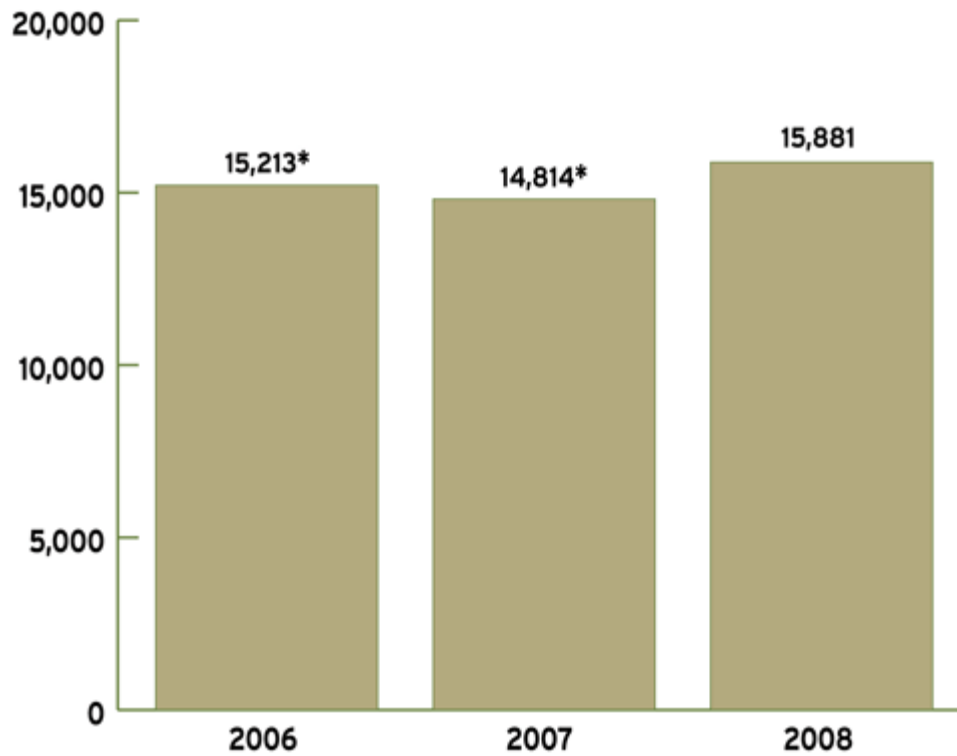
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## Employee Commuting

Commuting is necessary for our employees to operate our stores, distribution centers and headquarters. While we offer public transit subsidies and many of our employees choose to bike to work, the majority of our employees commute in single occupancy vehicles. In 2008, we made significant progress in understanding the challenges and opportunities of our employee commuting footprint. More about the details of how we calculate this climate impact can be found in the [methodology appendix](#).

Employee Commuting (Tons CO<sub>2</sub>)



\* Originally reported data revised with newer methodology.

## Highlights

A combination of innovative pilot programs and a Washington State grant helped to reduce the CO<sub>2</sub> impact per employee at our headquarters by 21 percent. Through this work, the rate of single-occupancy commuting dropped from 66 percent in 2007 to 50 percent in 2008, nearly making single-occupancy commuting the "alternative" form of commuting at our headquarters' location. In addition, many of our motivated retail employees have continued grassroots efforts to promote and encourage alternative commuting. As reported in our 2007 stewardship report, divisional teams at our headquarters are utilizing a customized work environment, enabling flexibility for employees to compressed their weeks (i.e., four, 10-hour shifts) or working remotely from home.

## Challenges

We are working to understand the unique commuting opportunities and obstacles for each of our locations, but it remains a daunting undertaking. Because different locations require different solutions, a one-size-fits-all strategy won't work. We are starting to understand the fundamental challenges to commuting for each of our facilities, and solutions will require new collaboration with public transit and other stakeholders.

The record high gas prices in the summer of 2008 changed commuting behavior at some of our locations—but not at many others. In areas where little public transit infrastructure existed, our employees had few alternatives to driving solo. A key learning was that significantly higher gas prices in 2008 were not enough to motivate staff out of single-occupancy vehicles, and we have to find ways to remove barriers to alternative commuting options beyond the cost of fuel. A significant challenge is the lack of robust public transit infrastructure around many of our stores.

## Looking Forward

While our greatest progress in reducing GHGs associated with commuting has taken place at our largest facilities in Washington, we plan to take the lessons learned from these pilot programs and adapt them to our other facilities, including our retail stores, with the ultimate goal of reducing the barriers to getting REI staff out of single-occupancy vehicles for their commute. We commute most - if not all - of the days that we work, and there are connections between commuting and attracting and retaining employees. How our employees commute to our stores is also a reflection of how customers and members get to our stores, and we are working to understand these connections.

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# 2008 REI STEWARDSHIP REPORT

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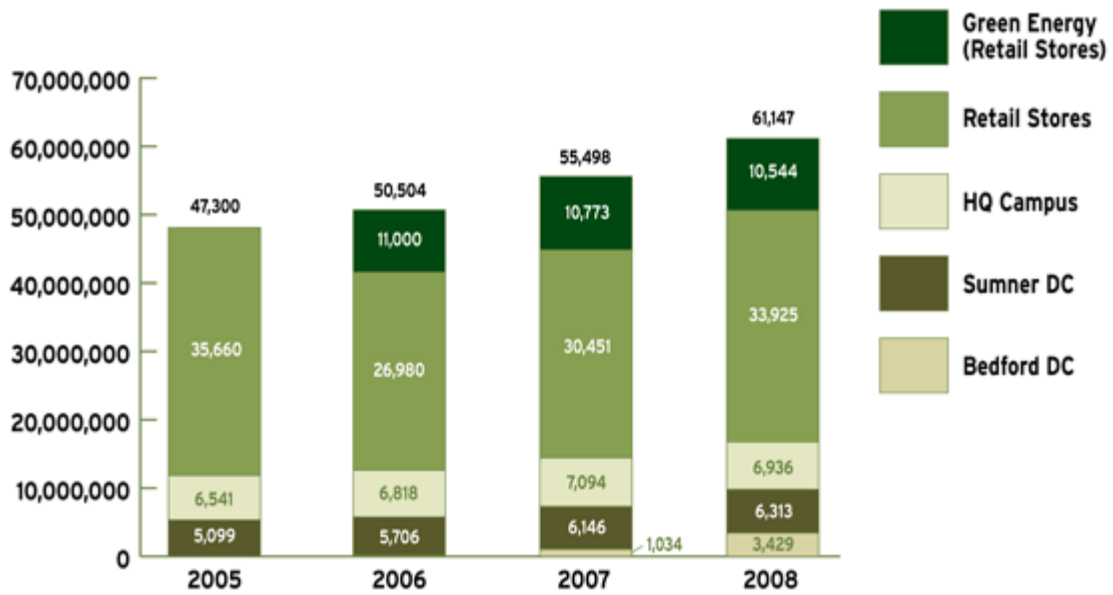
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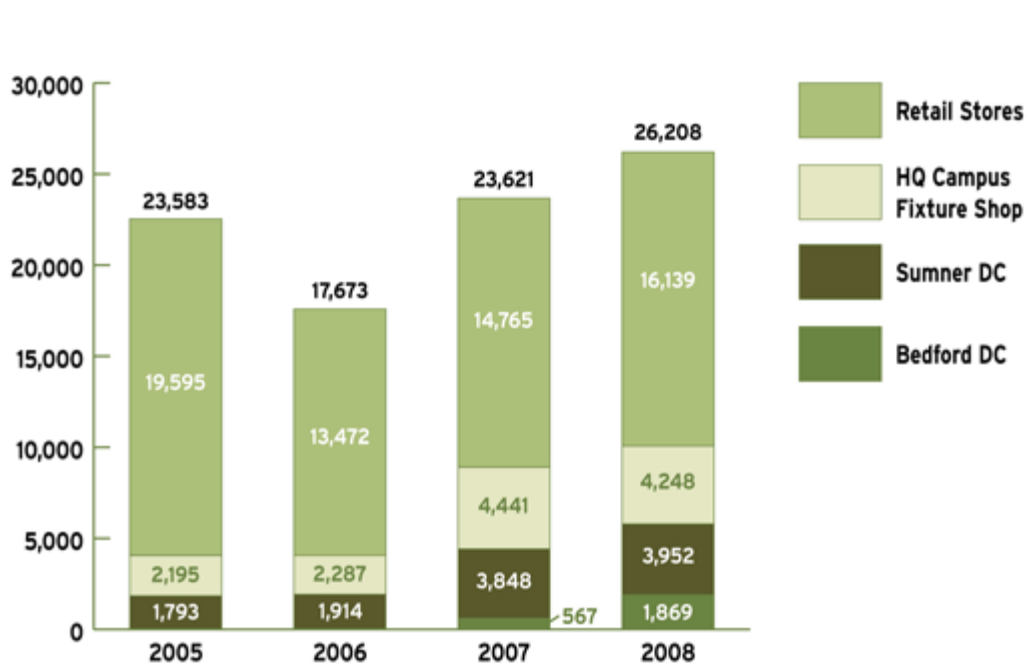
## Energy

At REI, we are committed to purchasing and supporting clean, renewable energy sources such as solar and wind, while reducing our overall energy consumption through [smart, energy-efficient design](#) of our new facilities and energy-efficient retrofits of our existing facilities. Our focus on climate change and energy continued in 2008 as we looked for opportunities for increasing energy efficiency, followed by looking for opportunities to buy renewable energy or generate our own.

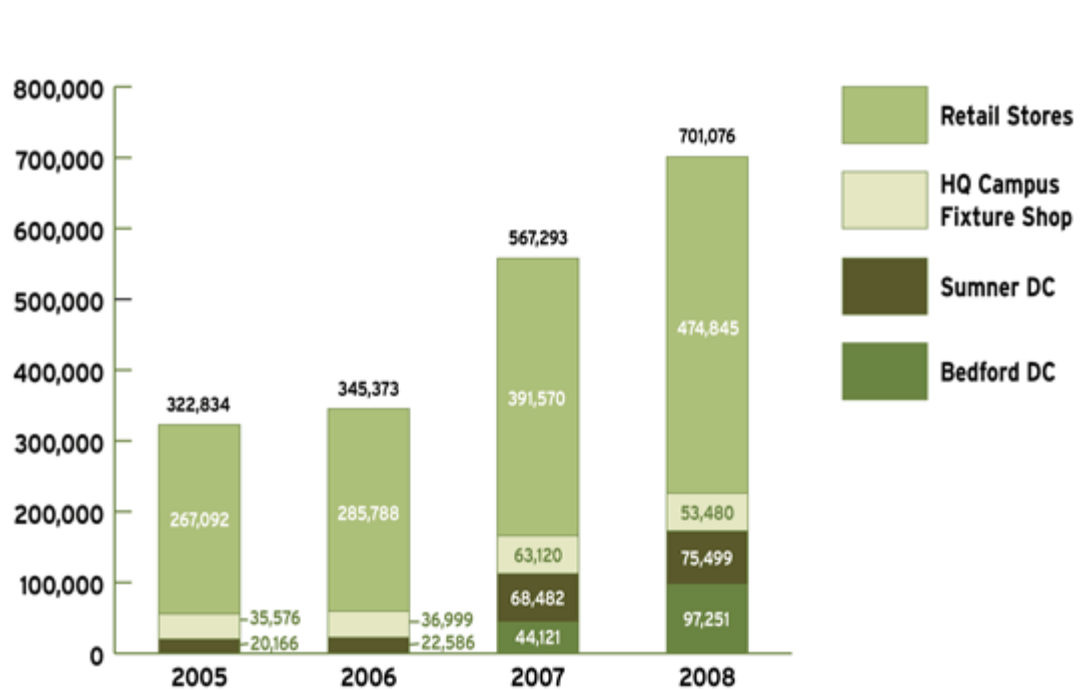
Electricity Usage (MwH)



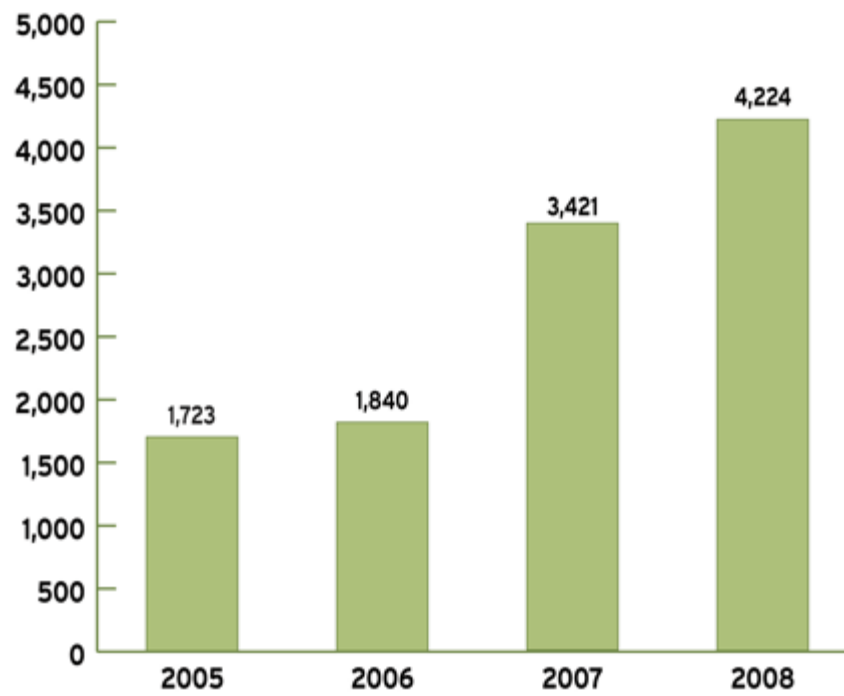
Electricity Impacts (Tons CO2)



Natural Gas Usage (Therms)



Natural Gas (Tons CO<sub>2</sub>)



## Highlights

In 2008, we launched our [retail solar initiative](#), and by the end of the year we had retrofitted 11 stores - more than 10 percent - with solar electric systems producing our own electricity. This included seven installations in California, three in Oregon, and an installation in our new prototype store in [Round Rock, Texas](#). In total, these panels generate an estimated 1.1 million kilowatt hours of energy while eliminating the equivalent of 970 tons of carbon dioxide emissions each year.

To be successful, we had to ensure that REI's retail solar initiative made business sense, both in terms of long-term savings and initial costs. To do this, we chose locations where we could take advantage of both state and federal incentives, such as tax rebates, in order to make our investment competitive with other capital projects.

Electricity and natural gas accounted for 23 percent and 4 percent of our GHGs in 2008, respectively. While this was a year-over-year increase, our efforts to implement efficiency measures paid off by reducing our energy density (the average energy usage per square foot). This means that even though our energy use has increased because of more square footage throughout our operations, we are starting to turn the corner and drive down our overall impact, especially considering the co-op opened nine new stores, and our Bedford, PA distribution center completed its first full year of operations.

In 2008, REI's [green power electricity contracts](#) with local utilities and our self-generated energy through solar power provided 24 percent of our retail stores' electricity needs. Depending on location and energy market, this provided us with either a fixed cost for electricity or some security against the rising costs of fossil fuels.

## Challenges

REI's total energy impact grew in 2008. Even with the addition of solar power, energy efficient facility design, and the purchase of clean and renewable energy, our use of energy continues to account for a significant portion of our carbon footprint. Our purchase of renewable energy from utilities hasn't grown as much as we would like.

We hold our purchases to a high level of scrutiny: renewable energy must not only improve our environmental impact, but also provide business value through lower cost or by providing a hedge against future cost increases. Very few utility rate tariff structures meet our requirements, and this has slowed our growth in buying green energy. Our specifications for green power contracts are [here](#).

## Looking Forward

We are committed to reducing our energy use, increasing the amount that comes from green sources and designing REI stores and buildings to be as energy efficient as possible. These choices include setting aggressive energy efficiency targets for all new construction and implementing energy retrofits throughout our existing operations to slow the growth of energy usage as our business grows.

We will be looking into power purchase agreements which could allow us to generate more renewable energy for our operations. We will also continue to utilize GHG-neutral energy sources from utilities, such as wind, biomass and solar when they are available and make both economic and environmental sense. Lastly, we will continue to seek opportunities to generate our own green, renewable energy when possible.

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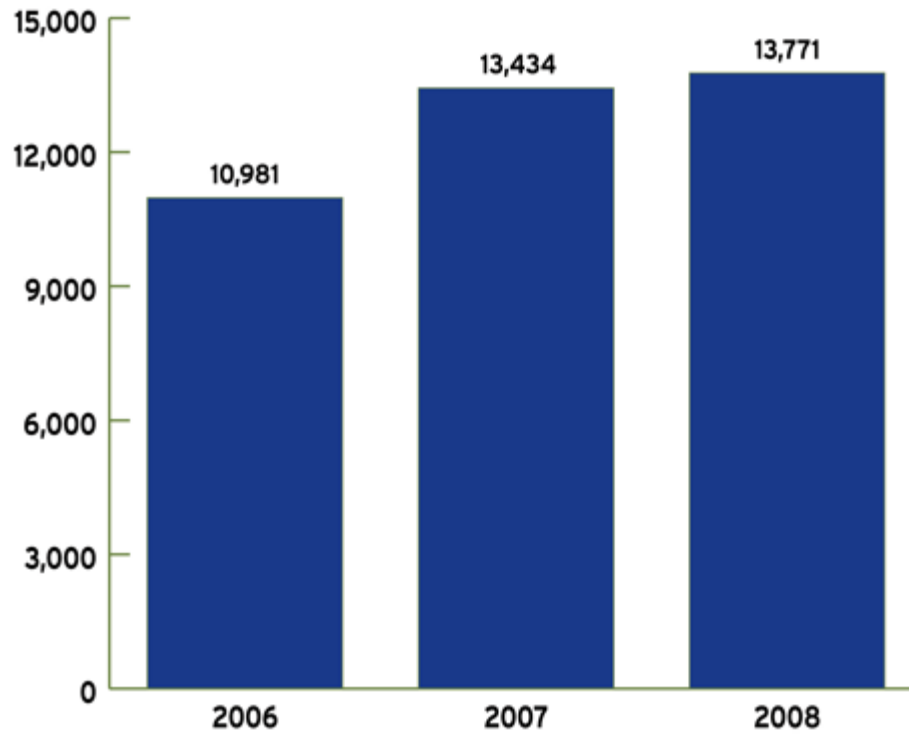
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## Product Transportation

As a retailer, our business revolves around getting product from around the world into our stores and to our customers. Moving product is a complex process that touches many aspects of REI's operations while connecting with the vendors that send us product.

Product Transportation (Tons CO2)



### Highlights

In 2008, product transportation accounted for 12 percent of our greenhouse gas footprint. We experienced a 31 percent increase in the volume of REI-brand gear and apparel shipped internationally compared with 2007 volume. Many of these shipments were for products such as bikes and camp furniture, which are larger, bulkier and more resource-intensive to ship. Overall, however, we only generated 337 more tons of GHGs from product shipping in 2008 versus 2007, or a 2.5 percent increase.

The most sustainable strategy for reducing our environmental impacts, including our carbon footprint, must also make sense from a financial perspective. For example, in 2008, we cut costs and GHGs by choosing to ship products entirely by water to our Bedford, PA distribution center. While it took creative work to balance the needs of our business, this decision coupled with optimizing how we pack shipping containers reduced shipping-related greenhouse gases by 600 tons.

Another key success has been our ability to minimize the need to transport product as air cargo. Air shipment of goods has many times the climate impact of shipping by road, rail, or sea. By better understanding our deadlines for shipping product, we have been able to minimize the need for shipping by plane.

### Challenges

Shipping products to our stores, distribution centers and customers will always be a central part of our business and therefore contribute significantly to our environmental footprint. Though the transportation companies we select work to be as efficient as possible, there are still significant barriers to eliminating the climate impact of shipping.

Our work to be more efficient in how we pack and transport product has led to success, but the opportunity for future large gains is diminishing. While we cannot completely eliminate the impact from product transportation, we will continue to pursue the most efficient means for transportation.

### Looking Forward

Going forward, we will continue to have two primary goals. First, we will seek smart logistical choices that will allow us to reduce our carbon footprint in the most fiscally responsible ways possible. Second, we will work on optimizing the efficiency of our logistics system, which includes both how we ship product and how we package it to ensure its safe and clean arrival to our stores and customers. We continue to pursue packaging choices to reduce the total size and number of shipments necessary to transport our products (see the [Paper Usage](#) as we seek to decrease our climate impact from transportation).

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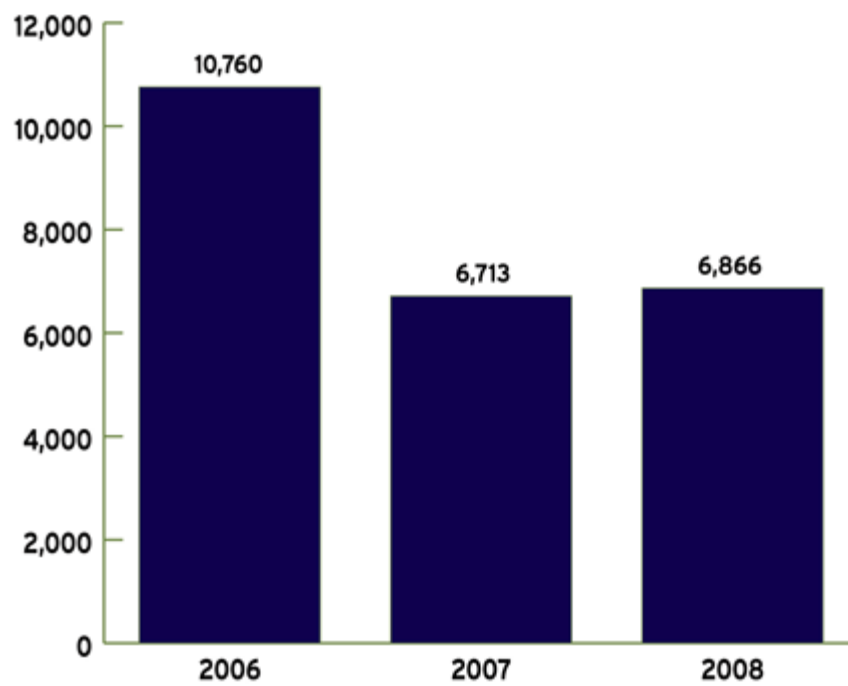
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## Direct Fulfillment

### Highlights

The climate impact of shipping products directly to our customers comes mainly from the impacts of air shipping. The continued growth of our retail store pick-up program (orders shipped free to any REI store for orders made through REI.com, catalog or 800 number) has limited the growth of direct shipping to customers. Improvements in our logistics systems (more frequent trucks to stores, and a new distribution center serving the east coast) has also minimized the need for expedited shipping.

Direct Fulfillment (Tons CO<sub>2</sub>)



### Challenges

While options such as our retail store pick-up program offer a lower-cost, lower-carbon way for our customers to receive products from REI, we still receive many next day delivery orders from customers, especially around the holidays.

### Looking Forward

We are considering ways to inform our customers of the greenhouse gas emissions generated by different shipping options in order to help them plan their orders with the least amount of CO<sub>2</sub> impact.

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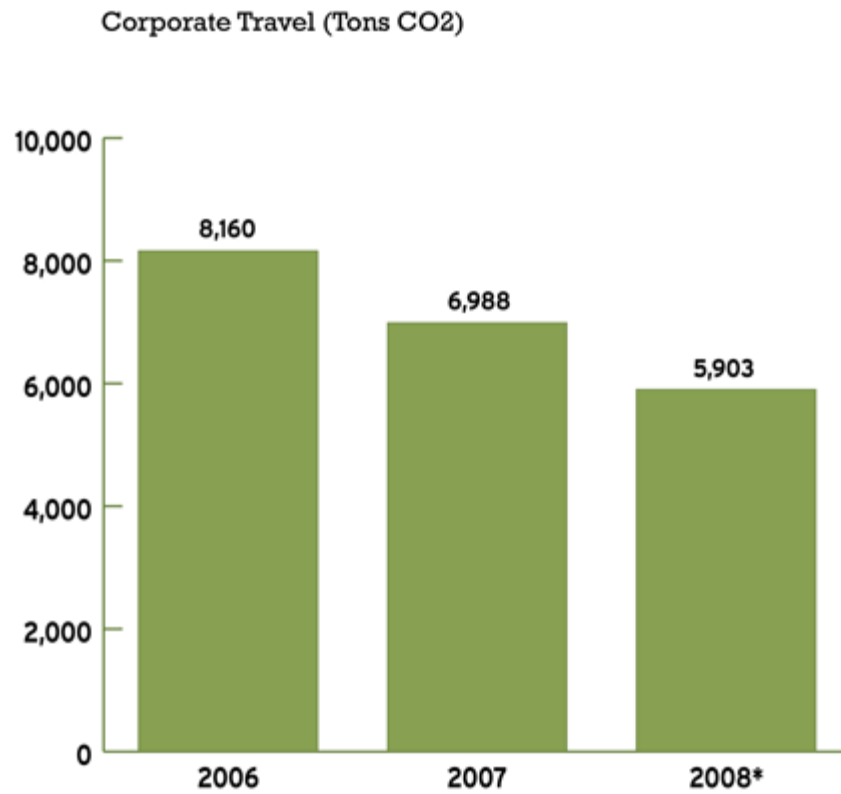


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## Corporate Travel

Corporate travel brings our employees together with key partners, including vendors, factories and community partners.



*\* 2008 includes the impact of air miles and adds the impact of rental car miles and employee mileage.*

## Highlights

While we do not have a formal strategy around managing and reducing GHGs generated for corporate travel, we experienced significant reductions in climate impact because of a focus on reducing REI expenses during the challenging economy of 2008. The climate impact of corporate travel dropped from just under 7 percent of our total carbon footprint in 2007 to 5 percent of our 2008 footprint. This decrease occurred despite the fact that we now include the climate impacts of rental cars used by employees and mileage reimbursed to employees traveling in their personal cars for REI business.

Overall, this improvement was due more to REI's focus on expense reduction in 2008 because of the economy rather than a more targeted effort aimed at GHG reductions from corporate travel.

## Challenges

Even with a focus on expense reductions, corporate travel will continue to require, at times, air travel and the use of cars. These uses will continue to contribute to our carbon footprint for the foreseeable future until climate neutral options are readily available. As the economy strengthens, we could see increases in corporate travel that would increase our climate impact.

## Looking Forward

While we understand that some business travel will remain necessary, we are committed to minimizing business travel for the sake of expense reduction and to decrease our carbon footprint. Technology solutions that enable web conferences and other ways of accomplishing work without traveling may have a significant impact on both the environmental impact and the cost of business travel.

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## Miscellaneous Greenhouse Gas Emissions

REI generates a small percentage of GHGs from miscellaneous activities such as the fuel used in our fleet vehicles and fugitive refrigerants that could possibly escape from a building's HVAC system. These categories accounted for 1 percent of our greenhouse gas footprint in 2008.

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## Workplace

We strive to create a workplace culture that attracts and retains highly skilled employees who love their work, and strongly believe that their personal contributions further REI's core purpose. REI has been recognized for having one of the most [competitive benefits programs](#) in the retail industry. We provide healthcare coverage to full- and part-time employees (along with eligible spouses, life partners and children), independent of the number of hours worked each month. We provide a generously funded retirement plan, incentive pay across all levels of the company, vacation and time off for illness, subject to eligibility rules for each program. Our compensation package supports employees throughout their careers at REI.

We are dedicated to growing a [diverse employee team representative of the communities we serve and fostering an inclusive work environment](#). Maintaining a diverse workforce supports our aspiration for REI to be a trusted resource within our communities 100 years from now and beyond. Achieving this requires that we attract, [recruit](#) and [retain employees](#) who reflect the communities we serve. It also requires that we achieve diversity across the co-op; at all levels of our company and in our stores, headquarters and distribution centers. Ultimately, we seek to engage our employees, customers and communities to attract a diverse base of people from all walks of life into the outdoors.

While we continually seek to improve our employees' experiences, we have been rewarded with a company [retention rate](#) of 66 percent. This is significantly higher than the industry norm. And this success is reflected by our annual recognition as one of FORTUNE magazine's "[100 Best Companies to Work for in America](#)."

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## Factory & Labor Compliance

We expect workers throughout our supply chain to experience safe, healthy and appropriate work environments as defined by our Code of Conduct. The code was first introduced in 1993 and is built on International Labor Organization standards and industry best practice.

Fair labor and factory compliance is complicated by a few factors, most significantly our sphere of control and influence. As a retailer we sell REI-brand gear and apparel alongside products representing a wide range of brands. Since we have limited visibility into the supply chain of other brands, we have worked to foster fair labor efforts industry wide. In 2006 we partnered with the Outdoor Industry Association (OIA) to develop and publish a [fair labor toolkit](#) to assist companies with sourcing while raising awareness of labor compliance issues throughout our industry. Since that time we continue to bring awareness to the issues and work with peers inside and outside of our industry.

### REI Brand Factory Compliance

Currently, REI-brand products represent approximately 20 percent of REI sales. Because REI does not own any factories, we work with domestic and international partners who manufacture REI-brand gear and apparel. Operating globally means we must navigate varying laws, regulations and enforcement philosophies from country to country and even region to region within countries. From experience, we know we cannot depend solely on local labor laws and enforcement to ensure that our standards are met.

Our contract factories are considered to be partners in support of the REI brand and we strive to create and maintain supportive and open relationships with them. Many of these relationships are long-term with some partners having worked with REI for more than 20 years. Good relationships are our best tool for aligning factory performance and shared values.

### Process for Sourcing Standards Compliance

Before we begin working with a new factory or vendor, it is our policy that they must be prequalified. To achieve prequalification a vendor must provide a self evaluation to demonstrate compliance with REI's [policy for labor and workplace practices](#).

A factory can provide evidence of compliance by demonstrating certification with one of the global social accountability standards such as the Worldwide Responsible Apparel Production (WRAP) initiative, SA8000, or Fair Labor Association (FLA,) or by providing a recent audit from an independent audit firm. Without such evidence, we may schedule a full audit based on a matrix of issues we analyze.

Once established as a supplier, factories must maintain a program of compliance with our code of conduct and are subject to third-party audit on a three-year rotating cycle. Whenever audit reports show violations we require implementation of a corrective action plan and a re-audit.

In 2008, contract factories representing approximately 95 percent of the dollar value of REI brand products had undergone a third-party audit under the co-op's compliance program.

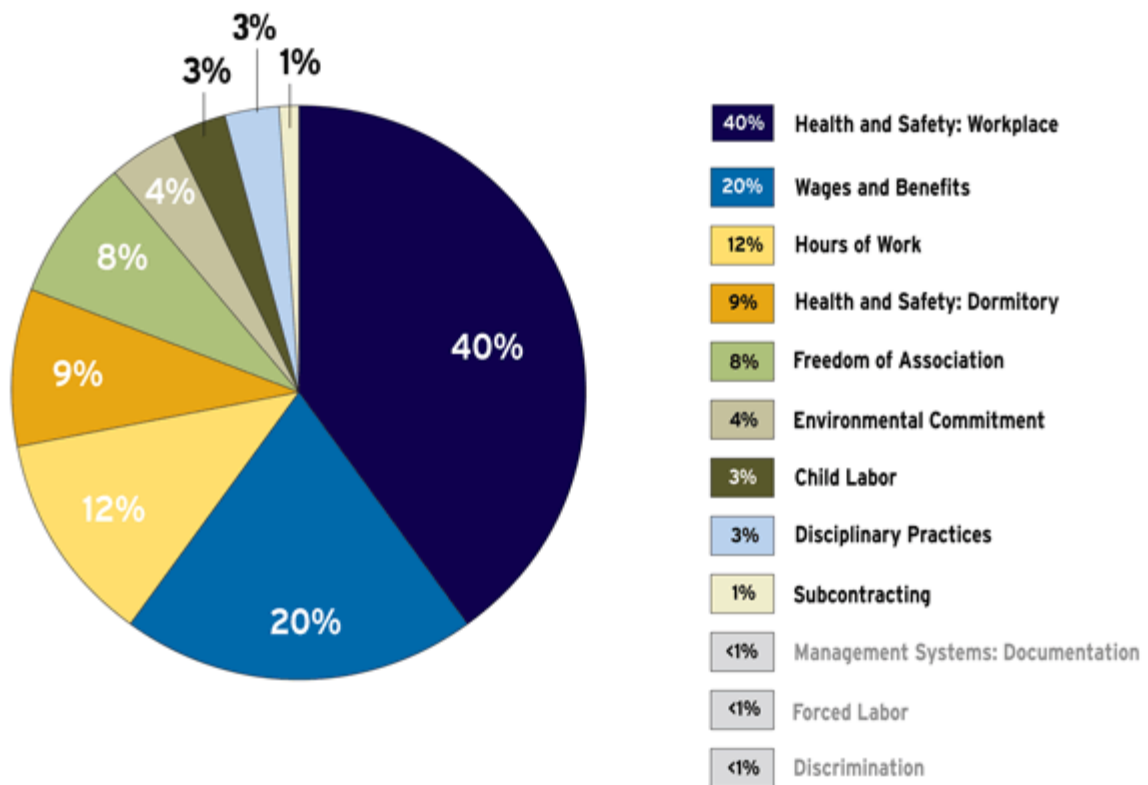
### Audit Results

It is not uncommon for auditors to identify issues and opportunities in the course of their factory visits, interviews and audits. This is true whether the factory is in Asia, Europe or North America. The typical process is for these deficiencies to be identified, classified and reported. REI personnel then work with the factory to address the issues in a corrective action process. In the context of a constructive relationship, the corrective action process helps the factory improve performance and address issues large and small. A follow-up audit is done to demonstrate corrections or, on the contrary, identify systemic failure to meet the requirements.

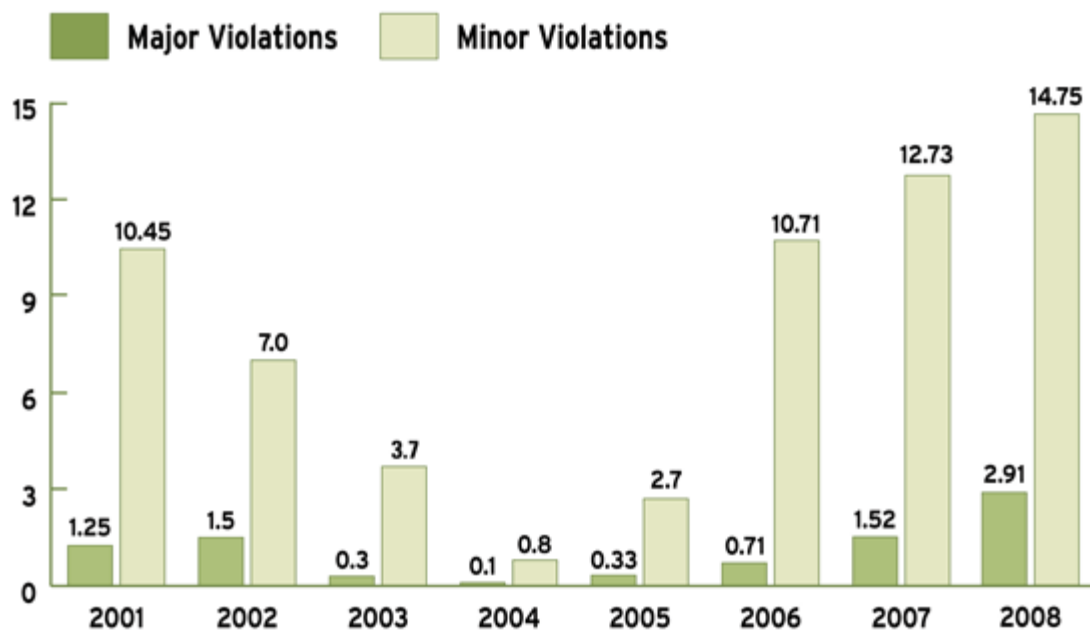
In general we believe that working with engaged factories to correct issues is both better for employees and our business than abandoning the relationship; however, our ultimate recourse is to move our business to more responsive factories. As with any relationship, this process requires time, investment, mutual respect and trust.

For three years REI has reported the compiled results of our annual audits. The following charts show the breakdown, type and detail of all audit results for 2008, which accounts for 20 factories.

2008 Audit Violations  
(percentage of total violations)



Major vs. Minor Violations  
(number of violations per audit)



## Example Violations Found Per Code Provision

In order to better explain the types of infractions represented in these charts, following are examples of the actual violations included in the category and reported by our auditors. Every violation registered in an audit report is the subject of some type of corrective action process.

### Compliance with Applicable Laws

#### Major

- Willful violation of the law

#### Minor

- Not implementing up-to-date laws
- Contracts not provided or out-of-date

### Health and Safety

#### Major

- None found

#### Minor

- Insufficient emergency procedures
- Insufficient fire drills
- Blocked aisles
- Missing or inadequate first-aid
- Evacuation routes not marked or well-lit
- Injury logs not maintained
- Sewing needle and other guards not in use
- Personal Protective Equipment not issued or used (examples might include eye or ear protection)

### Wages and Benefits

#### Major

- Non-payment of applicable wages
- Not providing legally required benefits

- Manipulation of payroll records

Minor

- No system to track hours worked
- Work done off-the-clock
- Missing time records
- Incorrect overtime computations
- Minor record keeping violations
- No pay slips for workers
- Payment of wages delayed

#### Hours of Work

Major

- Required and routine seven day workweek
- Denial of legally required holiday and vacation leave
- Not compensating employees at the premium wage rate for all overtime hours
- Not providing one day off in seven on a regular basis

Minor

- Abuse of peak hours' provisions

#### Environmental Commitment

Major

- None found

Minor

- Inappropriate storing/ handling of chemicals
- Missing material safety data sheets
- Lack of secondary storage areas

#### Child Labor

Major

- None found (this would include the discovery of underage persons working in the factory)

Minor

- >16- to 18-year-olds denied access to health care check ups as stated by local law
- Insufficient hiring procedures to ensure compliance
- Incomplete or missing age documentation records verifying the age of all employees

#### Disciplinary Practices

Major

- None found

Minor

- Fines as a disciplinary practice
- Non-existence of progressive disciplinary system

#### Subcontracting

Major

- None found

Minor

- Use of subcontractor not approved by the company

#### Compliance & Record Keeping

Major

- Willfully inaccurate record keeping

Minor

- Inaccurate record keeping
- Not posting legally required notices
- Incomplete/missing personnel policies

#### Prison or Forced Labor

Major

- None found (this would include imprisoned persons working in the factory)

Minor

- Monetary deposits required on starting job

#### Discrimination

Major

- None found

Minor

- Failure to provide gender separated bathrooms. (An example would be a garment factory not providing a separate men's room on the production floor where the vast majority of workers are women)

#### **Challenges**

REI has been engaged in the auditing process for more than a decade as it has provided the best tool to understand if suppliers consistently provide appropriate work environments. Through our active involvement in auditing we realize the

limitations of the current model and see the audit and compliance process reaching a plateau in effectiveness. While some areas have improved (health and safety practices), others continue to be a challenge (wage and hour violations).

NGOs and other experts are reporting that factories in some areas are responding to auditing with mechanisms to hide their actual behavior rather than implement changes. In response, leading companies are considering augmenting the audit process by engaging suppliers in better realizing the benefits of cultivating positive work environments.

While we believe this concept holds great potential, it represents a significant shift in approach that will take time and collaboration throughout the supply chain to achieve.

### **Looking Ahead**

We will continue our audit process as our best means for understanding on-the-ground conditions in our contract factories. At the same time we will be considering mechanisms such as the [Fair Factory Clearinghouse](#) as a way to better share information while helping factories better respond to the large number of audit requests (a condition some have called "audit fatigue"). We will be working with selected factories to pilot next steps such as an approach referred to "Vendor owned Compliance." These ideas are unproven but in theory offer a way to engage factories in achieving better outcomes for both their business and their employees.

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## "100 Best Companies to Work For"

For the twelfth consecutive year, *FORTUNE* magazine has honored REI as one of the "100 Best Companies to Work for in America." We currently rank number 12 on the 2009 list. Further, we are one of only 14 employers included every year since the *FORTUNE* first compiled the list in 1998, and one of only five companies also included in two earlier book versions.

The "100 Best" consideration process is two-fold: Two-thirds of *FORTUNE*'s final ranking is based on the results of an employee survey conducted by the Great Places to Work Institute, where 400 randomly selected REI employees are asked their opinions on workplace pride, respect, credibility, fairness and camaraderie. The remaining one-third is based on company-provided information regarding our culture, policies and benefits.

Our ranking is reflective of our workplace culture where employees are passionate about helping customers deepen their connection to nature, and where they are engaged in volunteerism and environmental stewardship in their communities. We also recognize that our generous [benefits package](#) contributes to employee satisfaction. In addition to our healthcare and retirement benefits, employees are eligible for gear grants, discounts on gear, public transportation subsidies and paid sabbaticals after 15 years of service.

In 2008, REI also earned the highest possible rating on the Corporate Equality Index. Developed by the Human Rights Campaign (HRC), this annual survey measures how well U.S. employers treat their gay, lesbian, bisexual and transgender employees, consumers and vendors.

Beyond these recognitions, we are encouraged by two significant indicators – a high level of [employee engagement](#) as demonstrated in our annual survey and industry-leading retention rates. These are true measures of success that demonstrate we are fostering a welcoming and rewarding workplace.

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## Employee Engagement & Retention

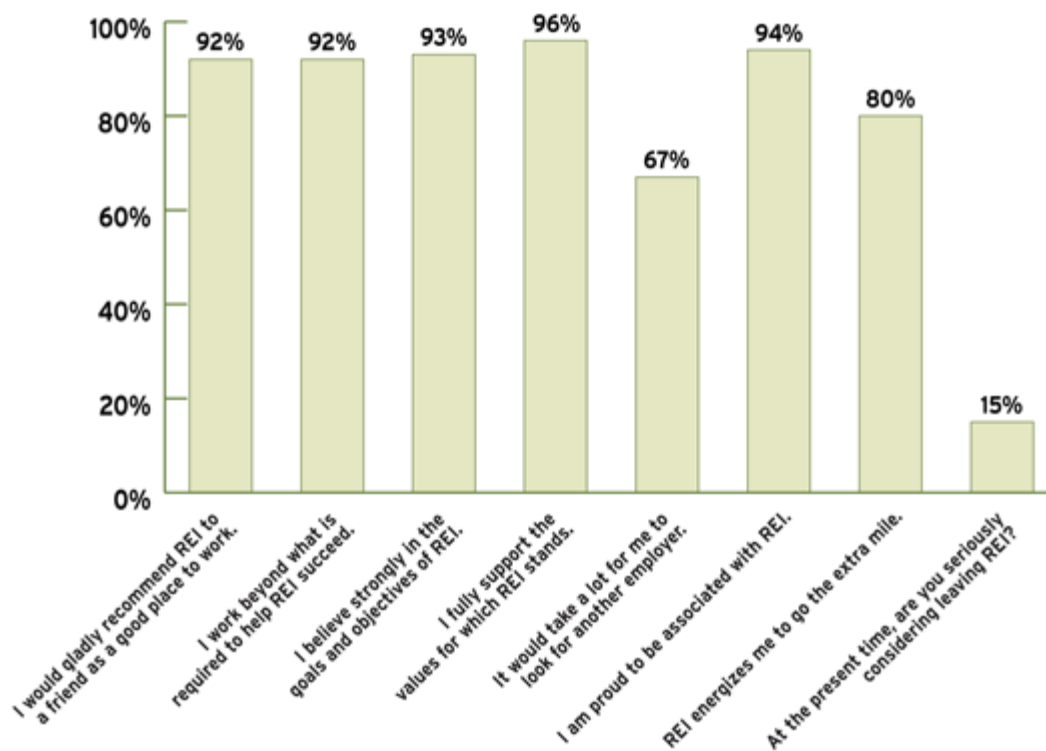
Each year we survey our employees to measure their level of engagement. Available to every employee, the survey is completed anonymously and covers several topics, including the co-op's benefits package, operational and leadership effectiveness, and communications.

For REI, "engaged" employees are those who are satisfied with their jobs, committed to their work, loyal to REI and eager to help shape our successes. Engaged employees contribute to our strong culture and values, and they demonstrate pride and enthusiasm in their work, which results in an inspiring workplace.

### Highlights

In 2008, 84 percent of employees responded by providing valuable feedback, including the following key findings that build our overall engagement score of 86 percent:

2008 Employee Engagement Index (Total Favorable)

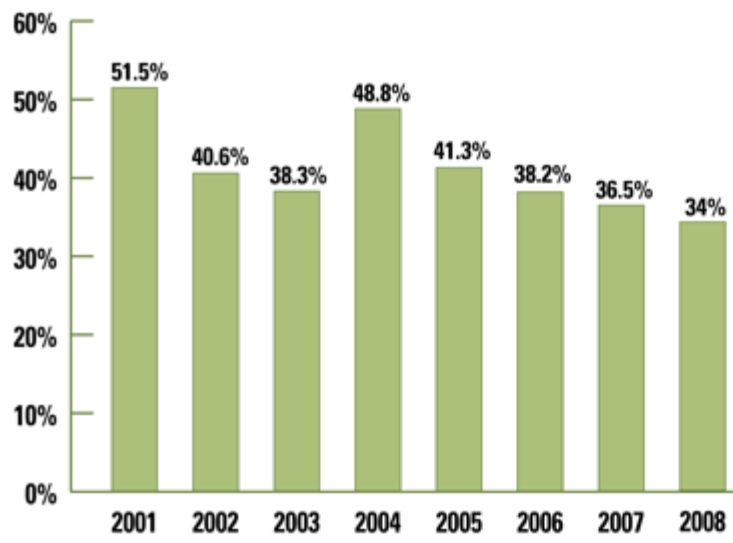


The independent firm that conducted our 2008 employee survey, Towers Perrin/ISR, also provided comparison results from our business peers. The average employee engagement level in the U.S. retail industry was 78 percent favorable, while "global high performing companies" had an 82 percent favorable rating. "Global high performing companies" have above-industry-averages on return on invested capital (ROIC), net profit, and employee engagement scores.

In 2008, REI's employee turnover rate was 34 percent, well below the retail industry rate of 62 percent. We credit our low turnover to the many attributes of our unique workplace, including an environment where employees see their contributions supporting our core purpose, our culture and our comprehensive benefits package. REI's turnover rate has declined steadily over the past five years, and was at its lowest in 11 years in 2008.

We measure retention by calculating the percentage of new hires from a particular year that are still employed at year-end. Our annual turnover percentage rate is measured by dividing terminations (voluntary and involuntary) in a particular year by average headcount across all months of that year.

### Overall Company Turnover\*



*\*Annual turnover percentage rate is calculated by dividing terminations (voluntary and involuntary) in a particular year by average headcount across all months of that year.*

## Challenges

In mid- to late-2008, with the soft economy affecting many retailers, we closely monitored our business to ensure that we completed the fiscal year in a profitable position. This put additional stress on teams across our business as they focused on serving our members, customers and communities while maintaining expense targets.

In 2008, REI retained a new firm to conduct our company-wide employee engagement survey. When we began this new vendor relationship we took the opportunity to make enhancements in the anonymous survey that will give us added insights from employees. As a result, the new format makes it difficult to conduct a direct "apples to apples" comparison between 2008, 2007 and previous years.

## Looking Ahead

REI is committed to increasing employee engagement levels within the co-op and ensuring that employees at all levels recognize their individual contributions support REI's continued success. We will continue to measure success in employee engagement through the survey process, and will take the steps necessary to keep our employees involved and supported by responding to the survey findings.

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## Diversity & Inclusion

The lack of diversity in the outdoors in the activities we support – hiking, climbing, paddling, snow sports and more - is a challenge for REI and the entire outdoor industry. We recognized the need to focus on diversity and inclusion and formally incorporated these as long-term priorities in the 2006 REI strategic plan. We place a high value on these efforts so that we can become more reflective of our country's increasing diversity, increase outdoor participation and establish stronger, local ties in the communities where we are located.

REI defines diversity as the wide range of differences that make each employee, co-op member, customer and community member unique. Primary differences include age, gender, race/ethnicity, religion, physical abilities and sexual orientation. Secondary differences include marital status, parental status, education level, work experiences, personal values, belief systems, and individual goals and ambitions.

To us, inclusion means creating a welcoming environment for all people – at work, in REI stores and in the outdoors. Inclusion goes hand-in-hand with diversity, enabling an open environment, promoting healthy dialogue and creating a sense of united purpose among all people, while allowing for individual differences.

## Highlights

In 2008, the co-op's three top priorities for diversity and inclusion were:

- Employee Diversity — Attract, develop, promote and retain a workforce in balance with the cultural and personal dimensions that make up the communities we serve.
- Inclusion – Create a workplace environment and customer experience that is welcoming and respectful of all people.
- Diversity in the Outdoors — Inspire and increase outdoor participation across diverse communities of color.

We formed three steering committees to put these priorities into action. Led by members of the company's leadership team, each of these steering committees is responsible for delivering short- and long-term strategies for implementing these priorities across the company.

REI's 2008 employee engagement survey delivered positive responses (83 percent or higher) to all questions regarding the co-op's efforts to promote and support diversity and inclusion. For example, 83 percent of employees said REI's senior leadership supports equal opportunity for all employees. (Women account for one-third of our 15-member leadership team; four of our board members are people of color; and five of our board members are women, including our president and CEO, Sally Jewell.) Ninety-two percent stated that employees at REI are treated fairly regardless of gender, race, age, disability, religion or sexual orientation.

In 2008, we implemented several new actions within REI to increase cultural awareness and inclusive behaviors, and reinforce REI's values and code of conduct. These actions included leadership training of REI's management to develop relationships with more diverse groups in communities through the co-op's outreach programs, training in our distribution centers, and tools provided through new employee orientation and internal communication channels.

We also updated REI's [recruiting](#) strategy to actively seek prospective employees who reflect the diversity of the communities we serve. A new strategy was piloted in six of the nine stores we opened in 2008. This strategy included engagement with community leaders and partnering with career centers at local colleges and universities.

The grants awarded via the [REI Foundation](#) in 2008 also supported the co-op's focus on serving and partnering with diverse groups. To share the joys of recreating in nature with more diverse audiences, we need to help remove the perceived barriers for getting outdoors.

In 2008, REI employees worked with store teams to engage African-American and Latino communities in fun and easy ways to get outdoors and enjoy nature. In Atlanta, for example, REI teams joined up with State Parks of Georgia, [Earthwise Productions](#) and [Keeping it Wild](#) to host a weekend campout for several African-American community leaders and their families at Red Top Mountain, the first state park set aside for African-American use when segregation laws were strictly enforced. The event objectives were to demonstrate to participants the enjoyment that comes from outdoor recreation and to learn from participants how the co-op can better connect communities of color with the outdoors.

Since Red Top, the Atlanta market has continued to build on these relationships.

In 2009, the team will participate in several more diversity-focused outreach events, including:

- The [Bicycle Ride Across Georgia](#) (BRAG) Dream Team, supporting a group of middle school-aged youth participating in the ride.
- Supporting family participation in the [Great American Backyard Campout](#), with gear and education through Gear Bank, PEAK and Passport.

Since the introduction of the Atlanta market's Gear Bank, community members have eagerly used it. Gear has been utilized by nonprofit organizations and by youth leaders from Spelman and Morehouse — local historically black colleges and universities — and was even part of a trip to see the inauguration of President Obama.

## Challenges

Even with the positive employee survey results surrounding our efforts to promote and support diversity and inclusion, we have a long journey in front of us for the co-op to be truly reflective of our communities. A serious, sincere commitment to bringing greater diversity to our stores, business locations and to the outdoors in general is challenging to implement at a swift pace in the current economic climate. In addition, REI is still learning from our community partners about the best, most effective ways to engage. Done correctly, this is a time-consuming, important phase of our outreach efforts.

## Looking Ahead

Our diversity and inclusion efforts will continue to receive a significant investment of resources in coming years. In 2008, we began a training program to support the efforts of REI employees to build a diverse and inclusive work environment. This program will continue in 2009 and beyond.

In early 2009, REI held its first Diversity Summit. During this event, the three steering committees tasked with addressing REI's diversity and inclusion priorities came together to reinforce the co-op's commitment to diversity and

inclusion, share learnings and develop cross-functional goals and objectives. Sally Jewell, REI's president and CEO, spoke to attendees and emphasized that even in tough economic times REI's commitment to diversity and inclusion remains a priority.

How are we doing? [Give us feedback](#) on this page.