



At REI, “stewardship” is how we talk about sustainability. The word “steward” reminds us that we are taking care of something that came before us and will be sustained long after we are gone.

This report measures our progress towards operating a sustainable business. It also tracks our efforts to ensure that people everywhere have a deep connection to natural, inspiring places. We want to share what we are doing so that our members, customers, communities and employees feel part of our efforts to inspire “a lifetime of outdoor adventure and stewardship.”

We believe that a life outdoors is a life well lived. That’s our passion and this year we also articulated our worldview: “we believe success demands changing how natural resources are viewed and used and creating access to inspirational places.” Those statements put sustainability squarely at the heart of REI.

We connect people to the outdoors by offering the best gear and expertise for all kinds of adventures and we talk about “stewardship” because our co-op depends on keeping outdoor spaces accessible and well-taken care of for generations to come.

Now in its ninth year, our annual Stewardship Report is how we share our stewardship efforts transparently with employees, members, customers and others.

We invite you to read our report. It outlines the co-op's highlights and challenges during the 2014 calendar year. The content is structured into four sections, which reflect our areas of strategic focus: [Curate Sustainable Products](#), [Create Access](#), [Catalyze Experiences](#) and [Core Practices](#).

See the [table of contents](#) for a quick reference or this [infographic](#), which highlights several important milestones of our work. This year, we’ve also developed a handful of [feature stories](#) as easy-to-digest examples of our sustainability work in action.

## Archived Stewardship Reports

[2013](#) | [2012](#) | [2011](#) | [2010](#) | [2009](#) | [2008](#) | [2007](#) | [2006](#)



## Letter from Jerry Stritzke

May 2015

We believe an outdoor life is a life well lived. That single, simple idea unites our community, no matter where you're from or what your political beliefs are. Seeking adventure and finding ourselves in the outdoors drives a virtuous cycle. We believe that life outside is better for us as individuals, better for society and ultimately, better for the planet. That is what unites us at REI.

We are a cooperative. Each of our 5.5 million active members owns an equal part of REI. Our co-op structure means that each member is a steward of REI. That's a great strength, because our members keep us focused on the long-term good of the outdoor community in every decision we make. It means that our community has both the permission and the power to be a force for good.

Our belief in the broader social purpose of business is why we use the word "stewardship" to talk about sustainable business. The word "steward" reminds us that we are taking care of something that came before us and will be sustained long after we are gone (both the co-op and the outdoors). It carries weight at REI, anchoring our core purpose: to inspire, educate and outfit for a lifetime of outdoor adventure and stewardship.

If you love the outdoors, then you scheme and dream about your next adventure. We do, too. So, paired with this [2014 Stewardship Report](#), we are introducing a new, broader construct for our future stewardship efforts. We believe that REI can exert greater positive influence as we grow, so we refined and broadened our view of stewardship to encompass [Product](#), [Access](#), [Experiences](#) and [Core Practices](#). In their [letter to members](#), Eric Artz (COO) and Vik Sahney (Strategy) explain more about the work that lies ahead.

As you will see from our 2014 report, stewardship at REI already goes beyond reporting our operational impact. It is about how we work with our vendor partners to innovate and how we invest - through hundreds of non-profits - in the inspiring places that make life outdoors possible. Ultimately, stewardship should improve the lives of our employees and members. To help you understand these efforts better, this year we share a few [short stories](#) that bring stewardship at REI to life.

We believe strongly in the role we play helping our members dream about their next adventure. Our responsibility is to help them do that, confident in the knowledge that the choices REI makes will positively benefit the outdoors and society - not unnecessarily damage it for future generations.

For REI, being a sustainable business is integral to being a co-op. We encourage you, our members, to get involved because it takes a community to make it real.

See you outside,

Jerry Stritzke  
President and CEO



## Letter from Eric Artz and Vik Sahney

Dear Fellow Outdoor Enthusiast,

Thank you for taking the time to learn about stewardship at REI. We try to be good stewards in all aspects of the word: stewards of our Co-op and the trust REI members place in us; stewards of the places our members play; stewards of the environment and stewards of our people.

In 2014 we changed our structure. We integrated our existing sustainability team with our newly created enterprise strategy team. This integration created a tighter connection between sustainability, business operations and strategic planning. We are seeing the results already.

Our business is diverse. It ranges from product-creation to retailing; from outdoor education to adventure travel. There are myriad ways we could practice good stewardship, so to guide our work and push us further, this year we developed a set of core operating principles: impact, efficiency, integration, collaboration, innovation, credibility and progression. These principles help us invest time and energy in the areas that we think will change REI and the world we operate in, for the better.

In 2014 we also stepped back and re-examined where our work is focused. REI is still a small company, but within the outdoor industry we can convene stakeholders and help lead change. With that lens, we are focusing our efforts on four areas:

1. Curate high-integrity products that honor member trust and inspire a movement for good by:
  - Influencing wholesale brands through merchandising
  - Leading through REI Private Brands
2. Create access to inspirational, iconic outdoor experiences for our members
3. Catalyze outdoor experiences through new models that are lessen our dependence on scarce natural resources
4. Strengthen our foundation of core sustainability practices to support business operations

Being good stewards is a never-ending journey and this report helps us to reflect on our progress, including successes and failures. Importantly, it helps us to acknowledge the hard work still ahead of us. In addition to the detailed reporting you have come to expect, this year we have also curated a small set of feature stories to bring to life some of our work from across the Co-op.

We welcome you to the conversation and hope that you not only find it interesting and informative, but that it helps you feel part of the outdoor community. How might we be better stewards? What can you do to help? We look forward to hearing from you and seeing you out on the trail!

You can reach us at [stewardship@rei.com](mailto:stewardship@rei.com)

Sincerely,

Eric Artz  
COO & CFO

Vik Sahney  
DVP Strategy & Sustainability



# About the Report

## Defining Stewardship

At REI, we believe that an outdoor life is a life well lived. Taking care of natural places is important to us as members, as employees and as a business. Everything we do affects the environment, so every decision we make—from designing our rain gear to lighting our stores—has to reflect our values and core purpose: “to inspire, educate and outfit for a lifetime of outdoor adventures and stewardship.”

There are four pillars to our efforts:

- Curate high-integrity products that honor member trust and inspire a movement for good by:
  - Influencing wholesale brands through merchandising
  - Leading through REI Private Brands
- Create access to inspirational, iconic outdoor experiences for our members
- Catalyze outdoor experiences through new models that lessen our dependence on scarce natural resources
- Strengthen our foundation of core sustainability practices to support business operations

## Why We Report

We publish an online Stewardship Report to be transparent about our progress, our challenges and the road ahead. We want to share what we are doing so that our members, customers, communities and employees feel part of our efforts.

Our ninth Stewardship Report covers the co-op’s activities and performance during the 2014 calendar year.

The performance metrics and data in this online report include our operations, facilities (headquarters, distribution centers and retail locations), business performance, employee engagement, community investment, and outdoor school offerings, some aspects of supply chain manufacturing and adventure travel.

## Materiality

Our 2014 Stewardship Report builds on the foundation established in our first eight reports and is anchored to our business strategy. The scope of this report covers the 2014 calendar year and the content was informed by internal and external stakeholders: employees, leadership, REI’s board of directors, members and customers, nonprofit partners and advocacy groups.



## Comments

We welcome your thoughts on our 2014 stewardship efforts via email at [stewardship@rei.com](mailto:stewardship@rei.com). Your feedback supports our goal of providing information that's relevant and important to our members, customers, partners, employees and others.



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# Curate Sustainable Products

## Overview

The approach we take to product sustainability reflects the values of the REI community. It begins with product design and extends into the supply chain to ensure our products are made in a way that respects workers and the environment. Just as we believe everyone should have access to the outdoors, we also believe that everyone should have access to working conditions that are safe, fair and non-discriminatory. These beliefs are encapsulated in our [Factory Code of Conduct](#), which outlines REI's standards for workers making our private label gear and apparel.

The majority of products we sell at REI are made by other brands. While we don't have direct control over their supply chains, we influence responsible choices through education, engagement and collaboration and by holding the brands we sell to high standards, just as we do for ourselves. For example, all brands sold by REI are required to adhere to our Factory Code of Conduct. There's lots of work being done by other respected companies across the outdoor industry, and we encourage you to learn more about their efforts. To read about the Outdoor Industry Association's Sustainability Working Group, [click here](#).

This section of our report highlights our product sustainability efforts—mainly the work on our own private brands, including our [factory compliance program](#), [product materials and packaging](#) and [industry collaboration](#) to achieve better outcomes.

## Highlights

- Introduced our new REI Co-Op brand, starting with a down jacket and down vest made with bluesign® fabric and bluesign down. Bluesign is a textile industry certification that keeps harmful substances out of the entire manufacturing process, thus protecting workers, consumers and the environment.
- Combined our Fair Labor and Product Sustainability teams into a single group. This new group is tasked with managing labor conditions and environmental impacts behind our private label products holistically, allowing for an increased focus on factory remediation and training. The co-op is refining and narrowing its factory base to have closer oversight and more leverage to influence positive change. In the last four years, we've consolidated our number of factories, reducing the total number by about 30 percent.
- Updated our Factory Code of Conduct to strengthen the sections on Transparency and Environment. To support the roll-out of the updated Factory Code of Conduct, we conducted on-site trainings with 13 of our largest suppliers.
- Conducted 31 factory audits using third-party professional auditors to ensure adherence to the Factory Code of Conduct. Together, these audits account for 25 percent of factories and 40 percent of our annual production volume.



- Continued our engagement in the International Labour Organization's (ILO) Better Work Programme. ILO Better Work offices serve as partners to local factories and provide oversight, training and guidance. Four out of six of REI's eligible suppliers currently participate in the ILO Better Work Programme in southern Vietnam and Indonesia. This allows us to monitor conditions in those factories through a partnership with the ILO.
- Continued our use of the Sustainable Apparel Coalition's Higg Index, which REI helped to create. Last year, ten factories received on-site training in the Higg Index Social-Labor Facility Module.
- Partnered with Mountain Equipment Co-Op to conduct training in southern China to further strengthen health and safety in our supply chain. The training was organized by both MEC and REI and was conducted by Sumerra, a third-party auditor with expertise in manufacturing health and safety. Five Novara bicycle suppliers attended the training, which was designed to increase awareness on health and safety, root cause analysis and industry best practices.

## Challenges

When concerns are identified during audits, we work with the factory to ensure that the issues are addressed. The most common auditing findings involve health and safety violations and overtime in excess of REI's policy of maximum 60 hours per week. In China, notable challenges include insufficient social insurance payments and transparency into recordkeeping.

Another challenge we face is vetting new suppliers as we grow in both the volume and the range of products we sell. This applies to the strategy we adopt for where and how we grow our overall supply chain. It also applies specifically to whether we choose to do business with a new supplier.

We work to keep our environmental footprint as small as possible. This is a continuous process of understanding our environmental impacts and determining how we can reduce impacts meaningfully in a complex and dynamic supply chain.

Finally, as a co-op, one of the main questions that we tackle continuously is: What do our members look for in terms of sustainability? The answer has evolved over time, so our challenge is to be fully aware of our members' current expectations and to anticipate where they'll be in the future.

## Looking Ahead

We are enhancing our Fair Labor Program and integrating Fair Labor into our strategic sourcing decisions more robustly. This will strengthen our focus on environmental health and safety (EHS) as a top priority. It will also allow us to be more engaged in local multi-stakeholder initiatives.





We seek 100 percent compliance with our Factory Code of Conduct for private brands. In addition to strengthening this program further in 2015, we'll begin looking for more ways to influence wholesale brands as well. Important channels for doing so will include:

- Direct engagement with the Sustainability and Social Compliance staff at these companies.
- Continued participation in the [Outdoor Industry Association \(OIA\) Social Responsibility Working Group](#).
- Continued participation in the [Sustainable Apparel Coalition](#).
- Continued membership in the [International Labour Organization Better Work Program](#).

In 2015, we are adding two additional positions in Asia to monitor working conditions in the factories, correct issues, and provide training.

As we create additional down products for REI private brands, we'll adopt supply chain traceability certifications, such as the Responsible Down Standard (RDS). These certifications ensure that the down used in our products will come from ethically treated ducks and geese.

Finally, we will continue transitioning our private branded products to bluesign-certified materials by 2018. bluesign ensures that materials are manufactured using only the highest quality dyes and finishes, carefully managed throughout the manufacturing process. We believe it is the most effective means of minimizing the environmental impacts of fabric manufacturing.

## Comments

We welcome your thoughts on our 2014 stewardship efforts via email at [stewardship@rei.com](mailto:stewardship@rei.com). Your feedback supports our goal of providing information that's relevant and important to our members, customers, partners, employees and others.



## Fair Labor

### Factory Compliance

We believe everyone should have access to working conditions that are safe, fair and non-discriminatory. Our goal is to run a program that reflects the values and culture of REI, supports and protects the workers in our supply chains and encourages our vendors and suppliers to take accountability for their social compliance.

To advance this practice, the Fair Labor (FL) team partners with departments across the co-op to implement fair labor strategies for REI private brands products. In particular, the Sourcing and Fair Labor teams collaborate on process alignment, supplier approvals and audit remediation.

REI's FL program benefits from the guidance of the Fair Labor Oversight Committee (FLOC). The committee monitors program development and is consulted on key strategic decisions. While the FL team reports directly to our Private Brands' Divisional Vice President of Operations, the FLOC has reporting responsibilities directly to the Audit and Finance Committee of REI's board of directors.

### Audits and Capacity Building

REI is selective about its factories and seeks to work only with capable partners. Even with such partners there can be areas identified for improvement. Our goal is to address these areas through our audits and associated remediation plans, and to better understand and address root-causes of compliance challenges.

Each year, REI elects to audit a percentage of the tier one factories in our supply chain. Tier one factories are those locations where final assembly occurs. In 2014, the supply chain for REI brand products consisted of 127 factories. Of those, 31 factories were audited or assessed, totaling 25 percent of our production sites and 40 percent of production volume.

Audit data and findings are uploaded to a shared industry database, the Fair Factories Clearinghouse (FFC). REI then asks suppliers to identify the root cause of each finding, develop a corrective action plan and commit to specific completion dates. REI consults regularly with suppliers throughout the process until the factory attains a status rating of "continuous improvement."

The following Factory Code of Conduct themes were identified in the 2014 audits across the supply chain:

- Lack of transparency in factory record keeping.
- Lack of formal policies to reinforce the expectations outlined in REI's Factory Code of Conduct.
- Management and workers lack detailed understanding of REI's FL requirements.
- Inadequate staff to handle social compliance work.



The following industry trends continued to exist in 2014, as noted by auditors and the FL team:

- An increase in non-compliance with health and safety standards, in chemical handling and storage.
- Ongoing issues of transparency, predominantly in Chinese factories.
- Factory management supporting the sharing of audits among their clients and working from one corrective action plan.
- Factories in Asian countries paying higher than minimum wage to reduce worker turnover, yet not paying overtime rates as required by law.
- Factory employees working more than 60 hours per week and not receiving one day off for every seven worked.
- An audit in 2014 revealed one notable violation. A 15 year-old summer worker was found in a factory manufacturing REI products in China. The factory and its management are undergoing an extensive remediation and monitoring plan conducted by an independent third party.

The FL team used a hybrid audit and assessment tool in 2014 that combines a traditional audit approach with open dialogue between assessors and factory management. Using the tool as a guide, assessors openly discuss information with factory management while on site to assess and identify potential non-compliant activities, and then flag such activities in the existing REI FFC audit scope. This procedure allows REI to track the progress and report on the status.

## Partnership with Mountain Equipment Co-op

One of our main goals in 2014 was to educate REI's suppliers in the bike industry on social compliance. This was accomplished through a partnership with Mountain Equipment Co-Op (MEC), an industry peer located in Canada, to share audits and corrective action plans. The two co-ops overlap in 13 facilities and had previously shared audit information on a case-by-case basis. The new process allows REI to share current audits and assessments and follow-up on previous MEC audits to address any past violations.

In October of 2014, REI and MEC conducted a joint training. As with the prior year, this training focused on bicycle and bicycle subcomponent suppliers. This segment of our supply chain has a less-established history in fair labor practices, particularly worker health and safety. For that reason, nine suppliers participated in a workshop on safe chemical handling and fire safety conducted by an expert third-party organization. REI FL staff then worked with each of our suppliers through a series of factory visits to ensure they put into practice the core tenets of the training. This very detailed and hands-on approach led to significant and continuing improvements in chemical and fire safety systems.



## Higg Index and Assessments

REI Sustainability staff continued using the Sustainable Apparel Coalition’s Higg Index—a collection of sustainability tools that assess environmental and social impacts—to work with leading suppliers. This work builds on our history of driving this work from its early inception. During the past year, 10 factories received on-site training in the Higg Index Social-Labor Facility Module. These suppliers then completed the robust self-assessment of their management systems. Another 16 factories completed the Higg Index Environmental Facility Module in 2014.



# Product Materials

REI cares about the health and well-being of people who use our products in the outdoors. We also care about the impact that the apparel and gear we sell have on the environment. We're working closely with many companies in the Outdoor Industry Association to research, reduce and eliminate all chemicals of concern used in the manufacturing of our products, and to package our products in the most efficient and least-impactful ways possible.

## Chemicals Management

To drive improvements in the supply chain, REI has an ambitious target for using fabrics certified to the bluesign standard. The independent, Swiss-based bluesign technologies ag is the world's leading system for managing the environmental impacts of fabric manufacturing. Rather than just focusing on testing finished items, the bluesign standard is a textile certification system that works to prevent chemicals of concern from entering into materials at each step of the manufacturing process.

REI has been a bluesign member since 2008. Since that time we converted 25 percent of fabric in REI private label products to the bluesign certification. Near the end of 2013, REI committed to using only 100 percent bluesign certified fabrics by the time we launch our 2018 lines of privately branded products. The new 100 percent target signals REI's commitment to accelerating this progress.

## Down and Feather Traceability

As we create additional down products for the REI Co-Op brand and the rest of the REI Private Brands' line, we are also adopting the Responsible Down Standard (RDS). Beginning in 2016, all of our private label down insulation will be RDS-certified. The standard ensures that the down used in our products will come from ethically treated fowl.

Independent, professional certification bodies inspect each part of the down supply chain. Every time products with RDS down change ownership, a certificate (called a Transaction Certificate) is required to track the material from the source to the final product. The RDS ensures that any final product (for example, a jacket or sleeping bag) that comes with an RDS certification claim was made with RDS down.

## Product Packaging

REI is committed to reducing the environmental impact of our business, including how we package our products. Since 2007, we've advanced our efforts from simply reducing the weight of packages of REI Private Brands to optimizing their design.



The most critical area of improvement is creating clear, consistent and transparent messaging about the environmental impacts of our packaging, including recyclability claims and preferred end-of-life options for those packages. A notable achievement has been aligning with the broader packaging industry to develop the [How2Recycle Label](#). It is a voluntary, standardized labeling system that clearly communicates instructions for consumers on how to recycle packaging.

With the assistance of the Outdoor Industry Association and the Sustainable Packaging Coalition, REI also has sustainable packaging guidelines to encourage and educate our vendors. These guidelines assisted REI Private Brands' division, all of the brands we sell within our stores, and the greater outdoor and cycling industries.



## Industry Collaboration

Approximately 80 percent of the products we sell at REI are made by other brands and manufacturers. As a result, we actively connect with like-minded organizations to influence entire supply chains—and the industry—for the better.

Some of these partnerships include:

- [Outdoor Industry Association \(OIA\) Sustainability Working Group](#)

Collaboration of more than 150 outdoor industry brands, suppliers, manufacturers and other stakeholders. The Sustainability Working Group launched the industry's first environmental assessment tool: the Eco Index. Efforts driven by the Sustainable Working Group include social responsibility, material traceability, chemicals management and more.

- [Sustainable Apparel Coalition \(SAC\)](#)

Large industry group that includes, by some estimates, 40 percent of the apparel value in the world. The SAC has built upon the OIA's Eco Index to create the [Higg Index](#), a new tool being adopted globally. With a shared approach to sustainability, we can make real progress in environmental and social areas.

- [Textile Exchange](#)

Nonprofit organization founded in 2002 to inspire and equip people to accelerate sustainable practices in the textile value chain. Originally focused on organic cotton, Textile Exchange has become one of the industry's leading sources of sustainability knowledge and traceability standards. REI has worked with Textile Exchange to better understand the environmental impacts of our supply chains. Through our joint membership in the SAC, we have also partnered to create tools that support design teams in selecting better materials.

- [International Labour Organization \(ILO\)](#)

The ILO Better Work (BW) program shares expertise in labor standards, social dialogue and private sector investments through a unique collaborative framework for improving working conditions around the world. The ILO BW program model aligns well with REI's fair labor goals and offers a network of resources to leverage compliance efforts. REI's Vietnamese and Indonesian suppliers received assessments, training and advisory support from local program staff in 2014. The program approaches remediation through a working committee that is composed of workers and management representatives, which is a key factor to sustainability and supplier ownership of compliance programs.

- [Fair Factories Clearinghouse \(FFC\)](#)

A system of record for achieving reliable information on vendor and factory counts, contacts, self-assessments, audits, remediation plans and REI Factory Code of Conduct Agreement tracking, within a collaborative member community.



## Higg Index

The Higg Index is a suite of sustainability tools developed by the SAC to measure environmental and social impacts. Each of these tools—called “modules”—is used to assess apparel and footwear supply chains. The modules provide different lenses for understanding the effects of our business and setting improvement targets. For example, the environmental modules are based on leading life-cycle thinking and address the environmental impacts of raw materials, product manufacturing, packaging, transportation, use, and end-of-life. Likewise, the social/labor modules were built upon the best practices outlined by leading nonprofit organizations with expertise in improving factory working conditions, including the Fair Labor Association, Social Accountability International, and the Global Social Compliance Program.

REI was one of the early members of the SAC, which now includes more than 100 companies in the apparel and footwear industries that have committed to having a positive impact on the people, environment and communities associated with manufacturing their products. As the Higg Index has grown, so too has our use of the modules. The Index provides us with a standardized and comprehensive platform for working with our suppliers to address environmental management systems. For example, we assessed 16 of REI Private Brands’ manufacturers using the Environmental Facility Module in 2014. We worked with each supplier who conducted the self-assessment to create a course of action and timeline for next steps.

## Other Brands Sold by REI

We seek 100 percent compliance with our Factory Code of Conduct for REI Private Brands. In addition to further strengthening this program in 2015, we’ll begin looking for more ways to influence our vendor partners, which account for a majority of products sold at REI. While we don’t have direct control over those supply chains, we seek to influence responsible choices through education, engagement and collaboration. Many of these brands are already active in the work of the OIA Sustainability Working Group and the SAC. Some have also been actively implementing the Higg Index tools within their own organization and supply chain.

We’ll continue to share and learn in ways that benefit the entire industry, with the goal of operating more efficiently and with less impact on the planet.





## Create Access

Our not-so-secret mission at REI is to get as many people as possible into the outdoors. As members and employees, we love spending time outside and we're helping to build and support a community of people who feel the same way. One of the most important ways we do that is by working with nonprofits, industry partners and the government to nurture and increase access to the outdoor places where we all like to play.

### Overview

We believe everyone should have access to the outdoors. That's why we invest in nonprofits across the United States that are committed to a shared goal of creating and improving access to outdoor spaces. It's also why we use our voice to partner with others and advocate for these places.

Creating access to inspirational, iconic outdoor places and experiences for our members is how we drive change for our community. It also makes good business sense for the co-op.

This section of our report highlights our [corporate grants and community partnerships](#), work of [The REI Foundation](#) (a separate 501(c)(3)) and [our advocacy efforts](#).

### Highlights

- In 2014, invested over \$4.6 million in more than 300 local, regional and national nonprofits working to care for and increase access to more than 600 inspiring outdoor places. From 1976 to 2014, REI has invested more than \$50 million to organizations preserving and providing access to the outdoors.
- Supported nonprofit programs dedicated to engaging younger and more diverse populations in the outdoors, through The REI Foundation. Grant recipients included the Children & Nature Network (C&NN), Futuro Media Group, Outdoor Foundation, and YMCA of the USA.
- Advocated for a range of national and state legislative measures aimed at sustaining recreation opportunities and creating new ones to meet the needs of a changing population. Strengthened advocacy partnerships in allied fields like public health, transportation and environmental protection. Increased awareness of the economic impact of outdoor recreation.

### Challenges

In 2014, we expanded the focus of our community investment. For a number of years we primarily invested in efforts to promote volunteerism in the outdoors. Last year, we established a broader measure of impact and began looking at success in terms of the number of places our investments had improved or increased access to. In continuing this



shift, we want to determine if our grants are delivering a high return on investment. Are grantees meaningfully affecting the recreation landscape in their areas of focus?

Several of our grants support organizations that advocate on behalf of the outdoor community before legislators and government agencies. From our headquarters in Kent, Washington, we also invest our own time and energy in a select number of advocacy initiatives; in particular, we're looking to put together diverse stakeholder interests (e.g., bike, paddle, climb, snow and many others) in order to join together and speak in a larger, clearer voice for the broader community. We have seen success in our home state as evidenced by the work of the [Governor's Blue Ribbon Task Force on Parks and Outdoor Recreation](#). It is more difficult to sew these alliances together at the regional and national level. We need to find ways to scale our local success and extend it across a larger map.

The total combined investment to care for outdoor spaces by REI and The REI Foundation in 2014 was \$4.6 million. In contrast, the total combined investment by local, state and federal government in sustaining and expanding outdoor opportunity is many billions. So our challenge is to make the wisest decisions possible about how we invest in communities and partnerships, and to ensure we are truly helping to solve problems.

## Looking Ahead

In 2015, our investments in nonprofits working to care for and improve access to and participation in the outdoors will likely exceed \$8 million. As part of that support, the co-op announced in early 2015 a multi-year partnership with the National Park Service and National Park Foundation for the 100<sup>th</sup> anniversary of the [National Park Service](#). The centennial celebration includes a national campaign called [Find Your Park](#). We're also launching five new [REI Adventures](#) trips at national parks in part to honor the centennial, and we're donating ten percent of the retail price for each of our national park trips to the National Park Foundation.

In the outdoor industry, REI is one of the biggest investors in caring for the outdoors and increasing access to those places. In the past, we've been more understated about the work the co-op does for the outdoors. In the future, we'll be more engaged with our members about how committed we are and what we accomplish with our investments.

As we work to nurture and increase access to outdoor places, some of the things that we have to consider include: what activities will interest the next generation of customers? Will those activities take place in spaces we're currently taking care of, or will they require investing in new areas? How do budgetary pressures throughout government challenge the public's ability to support the outdoors?



## Comments

We welcome your thoughts on our 2014 stewardship efforts via email at [stewardship@rei.com](mailto:stewardship@rei.com). Your feedback supports our goal of providing information that's relevant and important to our members, customers, partners, employees and others.



## Corporate Grants & Community Partnerships

Since 1976, REI has provided more than \$50 million to nonprofit organizations that share our mission of creating and improving access to outdoor spaces across the United States, and increasing outdoor participation. In 2014, we invested \$4.6 million to more than 300 local and national nonprofit organizations for preservation and restoration projects in 600 locations.

See a list of our [2014 local, regional and national grant recipients](#).

### Local Investments

For locally focused grants, our retail stores research and nominate trusted nonprofit partners. Grant applicants are evaluated based upon their ability to successfully maintain and enhance diverse, accessible and popular areas where our local members spend time in the outdoors.

Last year, more than 60 percent of our total investment went to local nonprofits. The budget was allocated store-by-store, with the average amount being around \$20,000 per store.

In 2014, we supported more than 270 local organizations, including the [Central Oregon Trail Alliance](#), which is building trails and supporting mountain bike access in that region. We also supported [The Sauk Prairie Conservation Alliance](#) in Wisconsin, which is restoring hundreds of acres of prairie to its pristine state, and [Walk Bike Nashville](#), which sponsors a local Walk to School day where more than 10,000 students participate.

### Regional and National Investments

REI's regional and national grants are by invitation only. We support stewardship, outdoor programs and advocacy efforts that align with human-powered outdoor activities, such as urban cycling, mountain biking, climbing, paddling and hiking.

One example is the [Washington Area Bicyclist Association](#), which is advocating for the connection of urban trails from Baltimore to Arlington. Other regional grant recipients included the [Pacific Crest Trail Association](#), [Appalachian Mountain Club](#) and [East Coast Greenway](#).

The [International Mountain Bicycling Association](#) (IMBA) is a nonprofit educational association whose mission is to create, enhance and preserve trail opportunities for mountain bikers, and the [American Alpine Club](#), a nonprofit association that contributes to caring for outdoor climbing spaces.

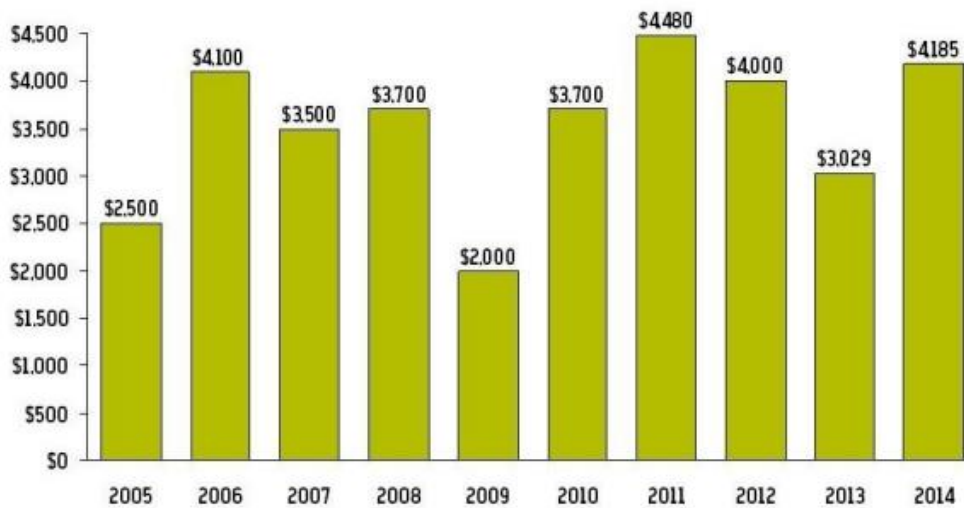


## Community Involvement

REI’s investment in nonprofit partners extends beyond grants. Many of the outdoor places where people love to play across the U.S. can remain open and accessible only with the contribution of volunteer hours and hands-on stewardship. At REI stores across the country, we support and promote nonprofits’ efforts (whether grantees or not) to engage volunteers in caring for those outdoor spaces. Our employees also regularly volunteer for stewardship projects, sometimes even as a team building activity.

We also recognize that we’re part of a broader, socially responsible business community and are committed to responding to natural disasters that impact our customers, employees and suppliers. For instance, in 2014 we supported recovery and restoration efforts for the mudslide in Oso, Washington, and wildfires in Washington, Oregon and California.

### Annual Giving Thousands of USD



## The REI Foundation

The REI Foundation is a separate 501(c)(3) with a multi-million dollar corpus. Its current, primary mission is to connect the next generation of adventurers and environmental stewards by partnering with key organizations that promote the benefits of nature among diverse audiences, and empower youth with important outdoor leadership skills.

While continuing to support a variety of efforts, The Foundation’s focus has sharpened in recent years to engage members of the millennial generation. The Foundation makes traditional programming grants and also considers more



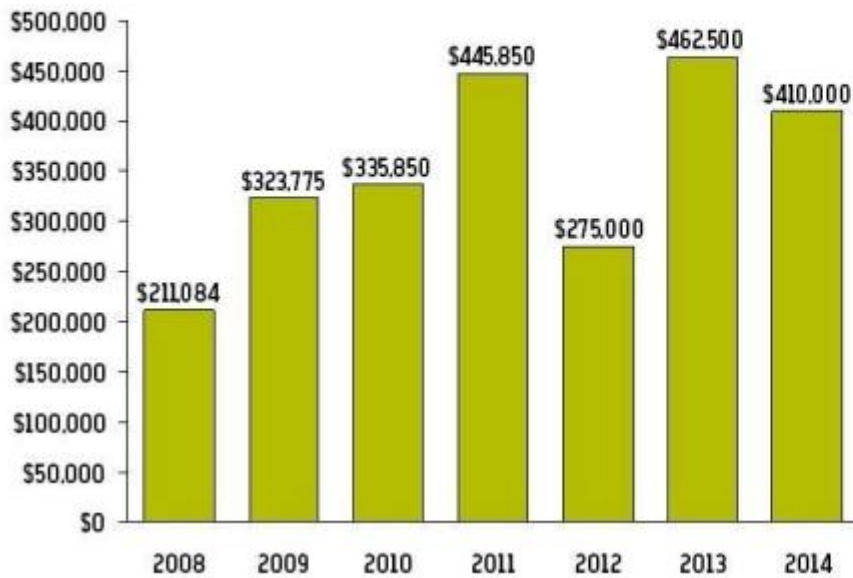
experimental and learning style grants. In all cases, The Foundation seeks to make the most of its community investments in a way that creates the greatest impact and scale.

The Foundation files a federal Form 990 disclosure each year that details expenses, grant making and other operating details. The 2013 Form 990 disclosure is the most recent and available [here](#). The Foundation’s board is composed of company leaders and an independent director appointed by REI’s board of directors. The REI Foundation researches and invites grant proposals connected to its mission; it does not accept unsolicited proposals.

In 2014, The [REI Foundation](#) awarded a total of \$410,000 to nonprofit programs dedicated to engaging younger and more diverse populations in the outdoors. Grant recipients include the [Children & Nature Network \(C&NN\)](#), [Futuro Media Group](#), [Outdoor Foundation](#) and [YMCA of the USA](#).

### The REI Foundation Grants

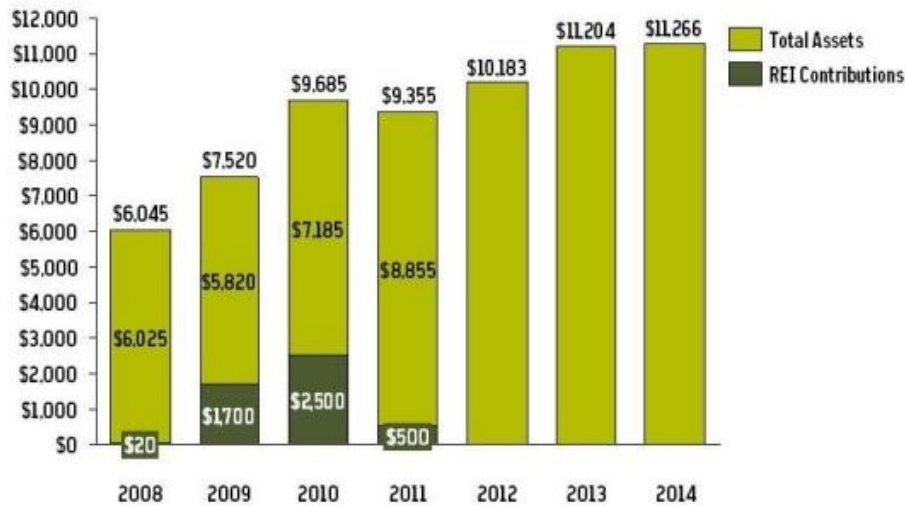
Thousands of USD





## The REI Foundation Total Assets & REI Contributions

Thousands of USD



The REI Foundation endowment changes annually based on contributions, grants and fluctuations in the values of investments.

## Advocacy for the Outdoors

REI engages in a select number of public policy dialogues to support the co-op's mission of creating and improving access to outdoor spaces.

Our advocacy generally falls into two categories. First, we advocate on issues that affect public access to and the enjoyment of parks, trails, waterways and other recreational areas. The goal is to assure that, as the public policy landscape evolves, our members, customers and employees are able to pursue the outdoor activities they enjoy. Second, we work on public policy matters that impact our daily business operations directly and through the broader outdoor industry indirectly. To accomplish this work, we operate a small government affairs program. The team relies on a full-time government affairs director, periodic engagement by senior REI staff and leaders, and political consultants and policy consultancy services.

REI also belongs to trade associations that run their own government affairs programs. We work actively with the [Outdoor Industry Association](#) (OIA) to advance the policy agenda on public lands and business issues. For issues that specifically affect retailers, we participate in some of the policy initiatives driven by the [Retail Industry Leaders](#)



[Association](#). And in Washington state, where we are headquartered, we are members of the [Washington Retail Association](#).

We periodically invest in organizations that advocate on behalf of the outdoors. Depending on the topic, we also might partner REI employees with nonprofits, coalitions and other associations in specific advocacy activities. [The Outdoor Alliance](#) and [People for Bikes](#) are two examples. The first represents a collaboration of leading national outdoor user groups that work to ensure access to distinctive climbing, kayaking, white water rafting and other adventure destinations. People for Bikes supports policies and programs that promote cycling and make it a safer and more viable mode of transportation. Closer to our headquarters, we support initiatives like the Mountains to Sound Greenway, and its effort to attain National Heritage Area status.

## Convening Industry Partners to Drive Change

Because of the scale of REI's operations, we have the potential to bring together others with a shared interest—outdoor industry partners, vendors, nonprofits and trade associations. Our goal is to catalyze the creation of a louder, shared voice on specific issues that affect the outdoors. We also are in a position to articulate and amplify the message that outdoor recreation is a main driver of economic activity in many parts of the country.

We have played this convening role and demonstrated its potential in Washington state. In late 2012, REI cofounded the Big Tent Outdoor Recreation Coalition. Its mission is to raise awareness of the importance of Washington state's outdoor industry, which is among the state's biggest contributors to economic, community and personal health. The coalition collaborates with elected officials, opinion leaders, community leaders, local governments, the business community and the public to ensure adequate funding and access to outdoor spaces.

In part due to advocacy by the Big Tent Coalition, in 2014, Governor Jay Inslee created a [Blue Ribbon Task Force on Parks and Outdoor Recreation](#). REI and stakeholders from 14 other organizations participated on the Task Force and conducted field hearings across the state. The task force reviewed comments submitted via online town halls and collaborated with legislators and government agency personnel. In the end, the efforts yielded recommendations that included ways to promote outdoor activity and develop long-term funding sources for state-owned recreation lands and facilities, including a [brochure](#) outlining the many societal benefits of time spent outdoors. And in parallel, local consultants developed an [economic impact report](#) confirming the sizeable role recreation plays in the state's economy.

In response to this work, the Washington State Legislature passed a bill in early spring 2015 creating in the Office of the Governor a Senior Advisor on Recreation Policy. The Advisor's role is to help grow the outdoor sector and expand its benefits. The entire multi-year initiative could serve as a model for similar efforts in other states.





## Public Disclosures

Federal and state laws require REI to file forms describing certain, more detailed aspects of our work on policy matters. These disclosures are updated on a regular basis. We believe the most useful tools for tracking the data are:

- [http://www.senate.gov/legislative/Public\\_Disclosure/LDA\\_reports.htm](http://www.senate.gov/legislative/Public_Disclosure/LDA_reports.htm) (federal policy advocacy)
- <http://lobbyingdisclosure.house.gov/> (federal policy advocacy)
- <http://www.pdc.wa.gov/public/default.aspx> (policy advocacy in Washington state)

With respect to financing campaigns for public office, REI as a company makes no contributions either directly to candidates or indirectly via Super PACs. REI employees and executives may choose to make personal contributions to political campaigns. In addition, the OIA operates a political action committee, and eligible REI employees may make contributions to it. At both the federal and state levels, there are systems in place that capture and disclose information about campaign contributions. In our view, the best tools for tracking that data are:

- <http://www.opensecrets.org/indivs/index.php?q13> (federal campaign contributions by individuals and PACs)
- <http://www.pdc.wa.gov/MvcQuerySystem/AdvancedSearch/Contributions> (contributions to Washington state campaigns by individuals and organizations)



# Catalyze Experiences

## Overview

Every day, we open up a whole new world to people by making it easy for them to get outside and try a new activity. We provide the right gear, the right expertise and the most engaging experiences. Why do we do it? As REI members and employees, we love spending time outside and believe a life outdoors is a life well-lived. Our mission is to share that love by simplifying what it takes to get outdoors, and identify ways to reduce barriers to getting outside. We do it all in a way that's good for our members, good for the co-op, and good for the environment.

Unfortunately, the traditional way of gearing up for an infrequent outdoor activity is costly both in dollars and in environmental impact. We recognize that new approaches and models that support outdoor engagement will be needed, while minimizing the consumption of already scarce natural resources. While reducing barriers, these new approaches may also consider how to keep gear in service longer or increase gear use among others to further lessen the environmental impact.

## Highlights

- Introduced more than 105,000 members and customers to a new outdoor activity through our gear rental program, while minimizing financial cost and environmental impact.
- Served more than 100,000 cyclists through bike tune-ups, repairs, or overhauls to get them ready for the road or trail in our bike shops.
- Assisted more than 50,000 skiers and snowboarders in gearing up for the slopes in our snowsports shops.
- REI members scored great deals on more than 600,000 pieces of gently used gear at our Garage Sales.
- Educated more than 200,000 people through REI Outdoor School with our programs and classes in REI stores and local outdoor locations.
- Led 9,000 members on REI Adventures trips ranging from epic adventures in more than 40 countries across all seven continents to weekend getaways within the United States.
- Found new ways to build deeper relationships with our members and local communities through the REI Village Tour at paddling, cycling and running events, concerts, coastal cleanup projects, the Warren Miller Festival and more.



## Challenges

Historically, the vast majority of our revenue has come from one-time sales of gear and apparel. Increasing our focus on catalyzing experiences by finding innovative ways to connect people with the outdoors means rethinking traditional approaches.

At our best in an REI store, we not only outfit a member with great gear and apparel for an activity and how to use it, but also with recommendations of where to go outdoors in their local area according to their activity, interest, skill level, and time. While we have a strong digital business, as more consumers move towards digital for information, we struggle to provide that same level of expertise online.

Gear rental is a great way to encourage people to try new activities in a way that minimizes the cost to the customer and to the environment. In some stores we had the wrong rental assortment and low rental usage, and we shifted away from gear rentals in those stores as a result. We continue to think broadly about how best to connect our members to gear when and where they need it.

Reducing the environmental cost of the gear we sell and rent is a challenge now and into the future. There's the effect on our environment from producing the gear and getting it to our customers in the first place. In addition, we have to consider how the use of the gear impacts the outdoors. The more an item gets used, the lower its cost per use in dollars and in environmental impact. Our challenge is to make the best decisions around what we make and sell, and how to promote best practices in the outdoor community.

To provide outdoor recreation and education opportunities, like REI Outdoor School and REI Adventures programs, businesses, nonprofits and schools need access to public lands. Unfortunately, facilitating group access to the outdoors has become complex and cumbersome, and frequently serves as a barrier that prevents organizations and businesses from taking people outside. To begin addressing these challenges, REI joined forces with other industry and outdoor recreation leaders to establish the Outdoor Access Working Group (OAWG). The OAWG is engaging the federal land management agencies in a conversation about ways to improve the agencies' permitting systems so that more groups have access to the outdoors.

## Looking Ahead

REI was originally founded to solve the biggest challenge its early members faced in getting into the outdoors: finding quality gear. We will continue to source and design the best gear for members, but seven decades later we find there are many other barriers that keep our members from spending more time outdoors. Knowing where to go can hinder a member who moves to a new state or who is starting out in a new activity. Having access to gear when and where



you need it can also be a challenge. We are actively looking at opportunities that would solve or reduce these barriers for our members.

We'll look for new ways to extend REI Outdoor School into local communities with new activities like our current group runs and classes on training to climb a 14er. Our REI Adventures group continues to grow and bring more members on more trips in more iconic places, all while travelling with a lighter footprint and supporting local economies.

If you're into the outdoors, like us, you probably have some pretty good gear. Some of it you might not use anymore or might only use for a few days a year. There are lots of people like you in the community and we want to find ways to connect you all, along with your gear. As well as helping our members, this could help to increase the use of that gear and reduce its cost and environmental impact per use.

## Comments

We welcome your thoughts on our 2014 stewardship efforts via email at [stewardship@rei.com](mailto:stewardship@rei.com). Your feedback supports our goal of providing information that's relevant and important to our members, customers, partners, employees and others.



# REI Programs

## REI Outdoor School

Our outdoor classes, outings and events are a great way for people to learn a new activity, brush up on their skills, and connect with their local outdoor community. Through REI Outdoor School, we provide customers the knowledge to safely and enjoyably get outside through a wide range of free or low cost classes for activities like cycling, hiking and rock climbing. Last year, we offered a range of activities from lightweight backpacking and local group runs to GoPro video editing classes and yoga for outdoor enthusiasts. Ultimately, we introduced more than 200,000 people to our programs and classes at REI stores and in local outdoor locations.

## REI Village

Last year, we also found new ways to build deeper relationships with our members and local communities. The REI Village Tour showed up at paddling, cycling and running events, concerts, coastal cleanup projects, the Warren Miller Festival and more. Activities were tailored to each event and ranged from free giveaways to tune ups with our bike tech station. At corporate campuses, REI Outdoor School instructors taught employees who have never ridden a bike how it's done. The experience gave them a new way to play outside and a more sustainable way to get from one place to another. The REI Village Tour was also a good opportunity to start discussions around our shared connection to the outdoors and the importance of caring for the outdoor places we love.

## REI Adventures

Planning iconic adventure trips, particularly international ones, can be a big barrier to exploring the best places in the world. REI Adventures streamlines this process, offering easy solutions for beginners to seasoned travelers. REI Adventures connects our members with amazing outdoor experiences all around the world. From an epic trek to Everest Basecamp to weekend getaways around the United States, the trips are all led by local guides and showcase unique cultures. In 2014, REI Adventures led 9,000 members on trips ranging from epic adventures in more than 40 countries across all seven continents to weekend getaways within the United States.



# REI Services

## Shop Services

Keeping your gear functioning in top shape improves your outdoor experiences and minimizes your financial costs and overall environmental impact. To help support our members, we have bicycle service centers staffed with Master Technicians in 139 of our 140 stores. In our bike shops last year, more than 100,000 cyclists got their bikes tuned up, repaired, or overhauled and ready for the road or trail. More than 50,000 skiers and snowboarders had their gear prepped for the slopes in our snowsports shops.

## Gear Rentals

Our gear rentals in select stores give members and customers an affordable way to try out a new activity or use a pay-as-you-play model whenever they get the urge to go outside. By making rentals available where there is demand, we give people an affordable way to try out the gear they need for hiking, backpacking, camping, paddling, skiing, snowshoeing and mountaineering, while minimizing financial cost and environmental impact.

## Garage Sales

Outdoor gear can be expensive, and sometimes what you buy might not work out as you hoped. Through our Satisfaction Guarantee, we take back that product and via our famous Garage Sales, we ensure that lightly used returned product stays out of landfills and delivers awesome value to other members. In 2014, REI members scored great deals on more than 600,000 pieces of gently used gear.



# Core Practices

## Overview

Operating sustainably is at the core of who we are at REI, as members and employees. The co-op exists to connect people to the outdoors, so the health of our company depends on a healthy environment and healthy communities. In all the business activities we engage in, we operate mindfully, strive to do the right thing, and work to live up to our members' expectations. That's how we hold ourselves accountable and how we stay true to the outdoors. This section details our work in our core operations and our efforts to continue building sustainability into how we conduct our day-to-day business.

We measure and report on our environmental impact from our [business operations](#) in the following areas: energy use, greenhouse gas emissions, paper use, and waste. We also report on our [people and our workplace](#), and we share our calculations and [methodologies](#).

## Highlights

- Won a U.S. Environmental Protection Agency (EPA) 2014 Green Power Leader award in the category of Green Power Purchasing.
- Became one of 12 original signatories of the Renewable Energy Buyers' Principles. The shared goal is to urge energy suppliers to offer more renewable energy and to encourage more purchasing options.
- Joined more than 100 Washington businesses in signing the Washington Business Climate Declaration, calling for strong action on climate change.
- Announced a major initiative to spark innovation and mentor women entrepreneurs, led by the [Outdoor Industries Women's Coalition](#) (OIWC) and a \$1.5 million Mary Anderson Legacy Grant, honoring REI's co-founder.
- Introduced a new employee benefit—REI Yay Days. They're a paid day off for all employees, twice a year, to partake in a favorite outdoor pursuit, take on a new activity or participate in a stewardship project.

## Challenges

Our business operations include everything from how we move product, to how our employees commute and travel and how we operate our stores and facilities. In addition to that broad umbrella of operations, the co-op's stakeholders include our members, employees, partnering groups and NGOs, as well as other outdoor brands. Each of those groups has its own expectations for how REI should prioritize its efforts. Our challenge is focusing on the things that matter most and where we can have the most impact while not missing areas where we just simply need to be authentic to our values and ethos.



As an employer, we're committed to being among the best in terms of overall benefits, health care, marriage equality, employee commuting and other areas. This breadth of topics and the changing landscape of regulations (such as recent health care changes) can make it difficult to stay ahead of best practices.

In 2014, we postponed our annual employee survey because we assumed that organizational change would make year over year comparisons challenging. In doing so, we missed an opportunity to hear formally from our employees during a time of leadership transition. We have since reestablished the annual cadence of our employee engagement survey and share our most recent results.

Several of our key environmental impact metrics increased (in absolute numbers) between 2013 and 2014. Operational CO<sub>2</sub>e was up 8.8 percent, our energy usage grew 3.1 percent, and our waste to landfill grew 4.1 percent. Our paper usage increased 15 percent, but with most of the paper coming from our best certified sources.

The rate of growth for those metrics was similar to or lower than the rate of growth for our company (9.9 percent sales growth from 2013 to 2014)—indicating improved efficiency and better relative (or intensity-based) performance. However, that falls short of our desire to keep our impacts flat or declining on an absolute basis. Our climate impact (CO<sub>2</sub>) was mitigated in previous years through our energy efficiency work, and our commitment to renewable energy zeroes out our climate impact from electricity. Though this is good for the environment, it eliminates one of our key levers to further reduce our CO<sub>2</sub> footprint. We continue to focus on increasing efficiency in our operations, especially in areas where we expect future impacts to grow as our business grows.

Our waste to landfill metrics increased more than expected due to over-servicing of the landfill waste for our newest stores, and our energy use increase came from opening more stores and executing fewer energy efficiency projects than were needed to offset this growth.

As we continue to grow in our number of stores, number of employees and number of members served, we will face continuous pressure to meet absolute reduction goals.

## Looking Ahead

As we look at our core practices, we are establishing commitments that give clarity to our path forward. For example, our renewable energy commitment for 100% green power is a North Star that gives clear guidance and focus. We seek to add this clarity to other core practices. As we continue to manage and reduce our carbon footprint, our efforts will include continued efficiencies in our logistics and energy use, and enhanced support for employee alternative commuting.

Our commitment to our people and a positive workplace environment is unwavering. To stay at the forefront of leading employers, our Human Resource group continually seeks to refine best practices as the workplace evolves.





## Partnering with Utilities

One example of innovation is our partnership with a utility in the Pacific Northwest to develop a new local, renewable energy resource. It's an urban waste bio-digester with methane collection. The facility will be close to our headquarters in Kent, Washington. Because the power will be produced locally, we'll avoid the loss that comes with moving energy long distances across the transmission system. Through contracts, and with state approval, the new resource will provide renewable energy to all of our facilities in the utility's electric service territory. That includes our headquarters, our Washington distribution center and six of our local stores.

## Outdoor Industries Women's Coalition

As part of our commitment to equality in the workplace, REI's CEO and President Jerry Stritzke joined an initial group of 13 CEOs in the outdoor industry in January to sign a pledge to accelerate women's leadership in their companies. In addition to the pledge, developed by the [Outdoor Industries Women's Coalition](#) (OIWC), Stritzke announced a major initiative to spark innovation and mentor women entrepreneurs. REI is supporting the initiative with a \$1.5 million Mary Anderson Legacy Grant, honoring REI's co-founder.

## Goodyear Distribution Center

In July 2016, REI will open a distribution center in Goodyear, Arizona—our third facility. Staying true to the co-op's values, the facility is being designed and constructed with sustainability in mind. REI is making choices to limit demands on natural resources whenever possible. The building will be designed using the U.S. Green Building Council's LEED (Leadership in Energy and Environmental Design) standards, aiming to achieve a minimum of LEED Gold® certification. The goal is to reduce energy consumption in the building, reduce energy costs and provide a more comfortable working environment for employees. In addition, we are pursuing ways to minimize water usage inside and outside the building, particularly for cooling and landscaping needs.

## Washington, D.C. Flagship

The co-op will open its fifth flagship store in late 2016 at the historic Uline Arena in Washington, D.C., chosen by President Eisenhower for his inaugural ball and by the Beatles for their first concert in the U.S. REI is continuing our green building commitment by pursuing LEED certification for this store.

## Comments

We welcome your thoughts on our 2014 stewardship efforts via email at [stewardship@rei.com](mailto:stewardship@rei.com). Your feedback supports our goal of providing information that's relevant and important to our members, customers, partners, employees and others.



## Energy

Sustainable energy use is part of protecting the outdoors we love. We take a straightforward approach:

- Seek to use less energy through good building design and energy efficiency measures
- Generate our own energy (e.g., rooftop solar panels)
- Contract directly with utilities for long-term renewable energy
- Commit to purchasing renewable energy certificates for the remainder of our purchases from the grid

This strategy includes steps to decrease costs and increase energy efficiency, so it also makes good business sense. Our green power commitment is just one example of how we translate our values into action and how we strive to have a positive impact on the world.

## Energy Efficiency Investments

In 2013, we partnered with a local utility to complete a major retrofit of our data center. The result was a 93 percent reduction in cooling expense, which saves 2.2 million kilowatt hours each year. That's enough energy to power six of our retail stores. The retrofit won the Association of Energy Engineers Energy Project of the Year award for Region V. Efforts like that have kept the growth in our energy use to under 10 percent despite opening 41 new stores and increasing sales by 55 percent from 2008 to 2014.

## Solar

With the use of solar electricity systems, we're now generating our own power at 26 REI locations. That includes 25 stores and one distribution center. Our store in Tustin, California is our first location that generates nearly as much electricity as it uses.

## Green Power Contracts

When we do purchase electricity from the grid, we do it wisely. Long-term power contracts from renewable power sources provide environmental benefits along with a financial hedge against expense volatility. Seven of our stores are currently on green power contracts, and we are limited in many locations by a lack of offerings that meet our criteria.

## Renewable Energy Certificates

To get to 100 percent renewable energy, we purchase renewable energy certificates (RECs) for the remainder of our grid electricity. Through a renewable energy and carbon offset provider, we purchased 62,000 MWh of 2014 vintage Green-e certified RECs from two wind farms in Texas.



In the long-term, we expect to rely less on RECs as we shift more toward new and innovative ways to source and generate renewable energy.

## Green Power Leader Award

For the commitment we've made to sustainability, the U.S. Environmental Protection Agency (EPA) named us a 2014 Green Power Leader. The award, one of nine in the category of Green Power Purchasing, honors our leadership in supporting renewable power, such as that generated by wind, solar, or geothermal sources.

## Climate Advocacy

As we grow, our 5.5 million REI members expect the co-op to play a larger role in the effort to make renewable energy more available and affordable. In 2014, we became one of 12 original signatories of the Renewable Energy Buyers' Principles, a joint statement by a coalition convened by nonprofit partners (the World Wildlife Fund and the World Resources Institute).

The shared goal is to urge energy suppliers to offer more renewable energy and to encourage more renewable purchasing options. The buyers' group has a big target—8.4 million megawatt hours (MWh) of renewable electricity per year.

The group is a way for REI to influence the direction of much larger member companies, such as Facebook and GM, and to open more renewable power opportunities for everyone. In that way, we're doing what's right for our members, our environment, and our business.

Last year, we also joined more than 100 Washington businesses in signing the Washington Business Climate Declaration. It calls for strong action on climate change in our home state to protect our growing economy and the outdoor places people enjoy.

## Green Building

Our first goal is to use less energy, and that begins with designing our buildings more efficiently. We currently have six LEED certified facilities, with a combined total size of more than 700,000 square feet. We also have a designated energy efficiency fund to invest in energy-saving projects across our 140 retail stores, headquarters, and our two distribution centers.

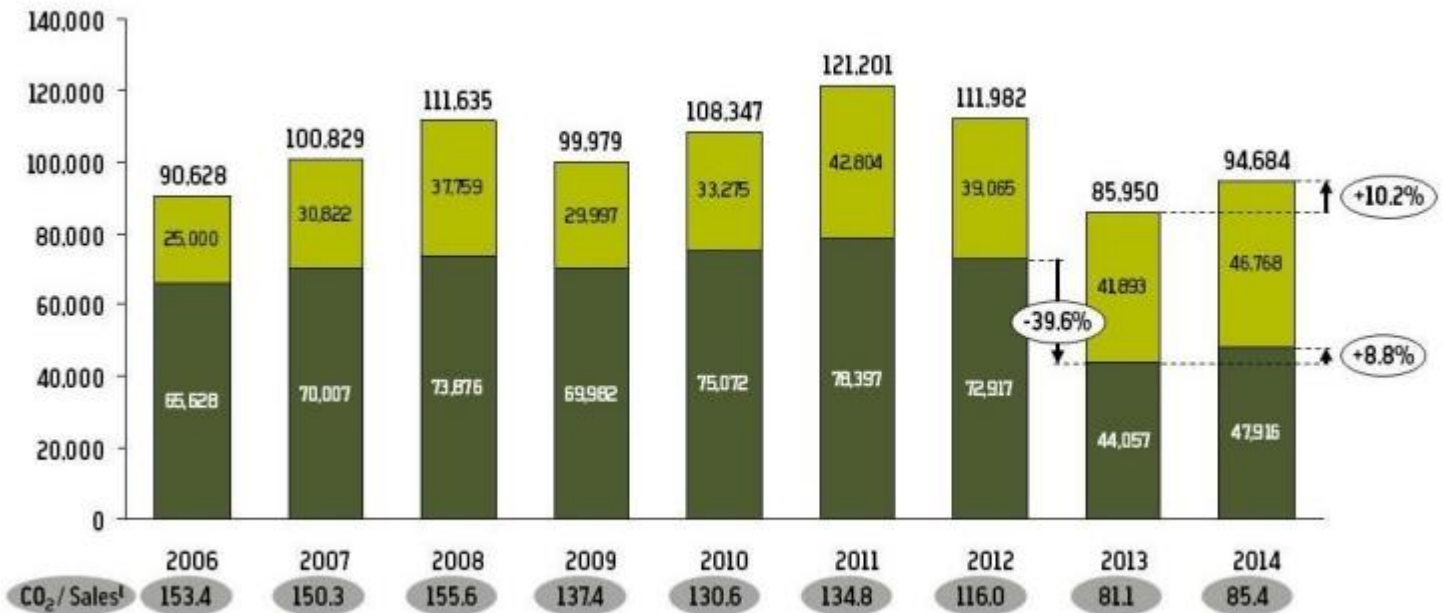


## Greenhouse Gas Emissions

### Carbon Footprint

Tons CO<sub>2</sub>e

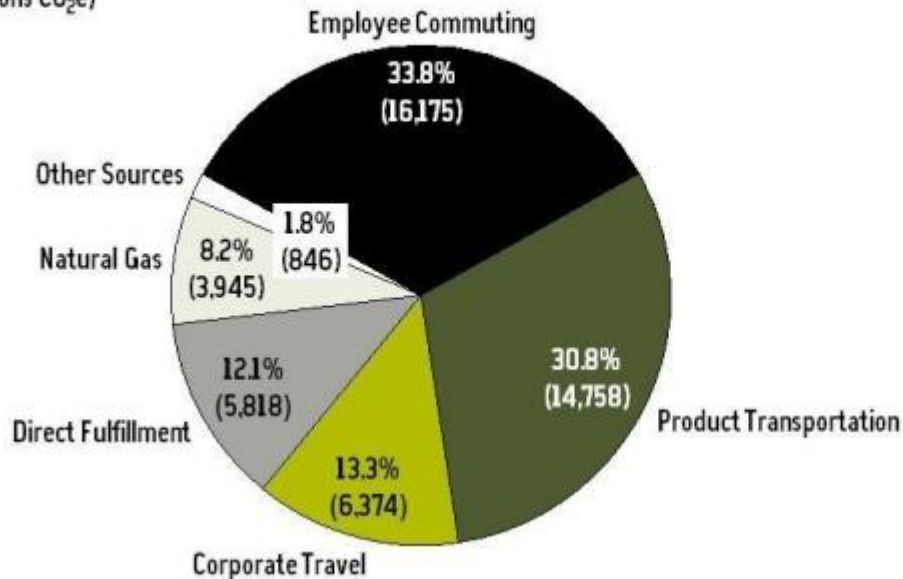
REI Adventures and Outdoor School  
Operational Footprint



<sup>1</sup> Pounds of CO<sub>2</sub> per thousand dollars revenue

### 2014 Operational Greenhouse Gas Emissions

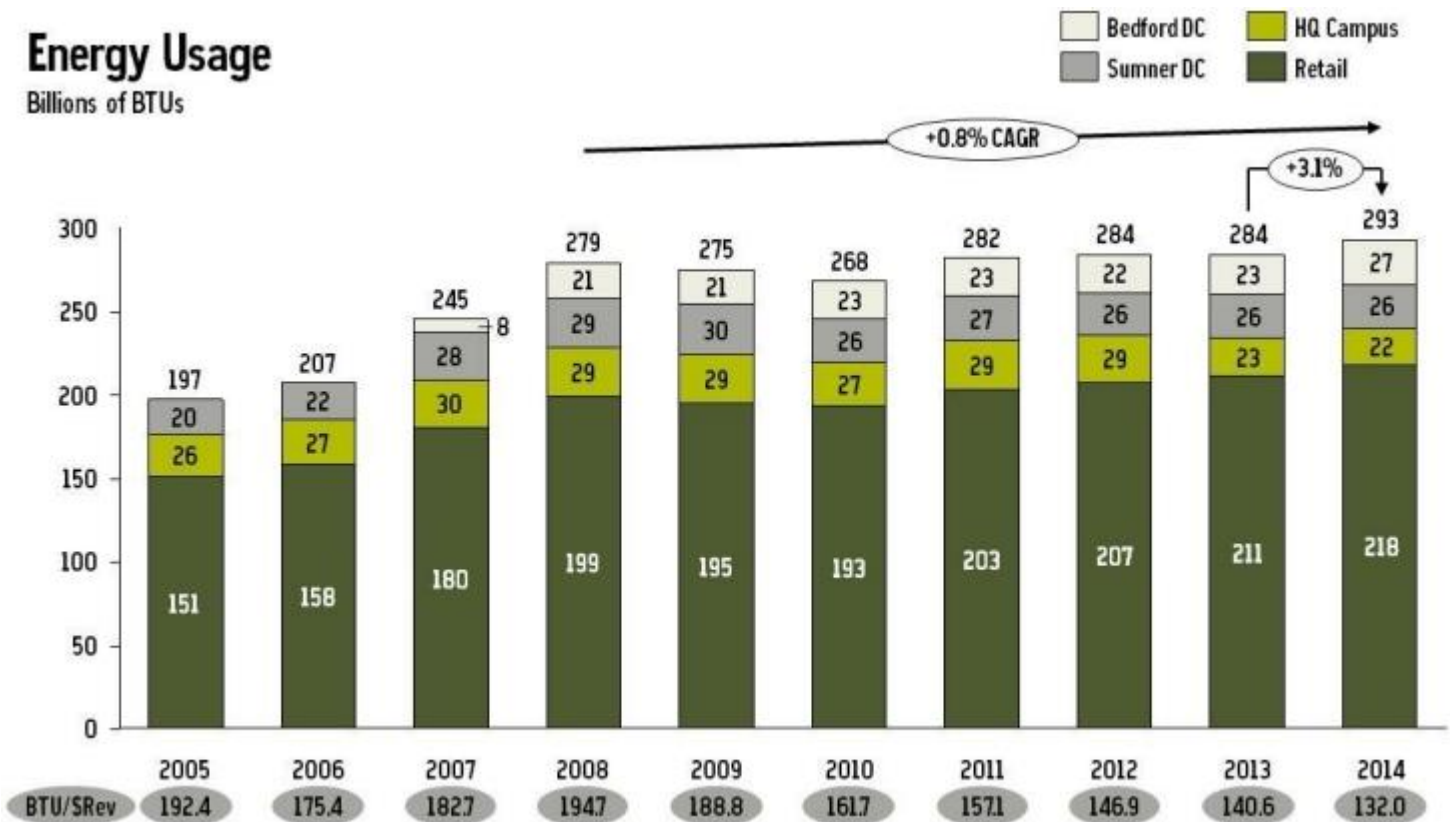
Percent of total (Tons CO<sub>2</sub>e)





# Energy Usage

Billions of BTUs



REI measures its overall greenhouse gas (GHG) emissions to have actionable information to reduce our impact on the environment, minimize risks to our business and identify cost reduction opportunities. To measure our GHG emissions, we account for energy use, employee commuting, product transportation, direct fulfillment, corporate travel, REI Adventures and miscellaneous emissions. We consider our operational footprint to include all of the above except for REI Adventures.

To learn more about how we measure our environmental impacts, please see the [methodology appendix](#).

## Energy Use—Electricity: 0 percent of total operational GHG footprint; Natural Gas: 8 percent of total GHG footprint

Our absolute energy use increased by 3.1 percent from 2013 to 2014, driven by the addition of seven new stores. Our electricity consumption increased by 3.2 percent from 2013 levels. We continued our commitment to buying renewable energy certificates to match our energy use. In addition to the green energy generated by our solar photovoltaic systems on 26 locations, we purchased 62,000 MWh of environmental benefits of wind power from two wind farms in Texas by buying Green-e certified Renewable Energy Certificates. Because of our renewable energy sourcing in 2014, the CO2 impact of our electricity consumption was zero. Our use of natural gas increased in line with our facility growth.



## Employee Commuting—34 percent of total operational GHG footprint

REI's employee commuting was the largest single source of emissions at REI in 2014 and remains our biggest challenge to reducing the co-op's GHG footprint. Last year, greenhouse gas emissions from employee commuting increased by 4.8 percent from 2013. The shift occurred due to an increase in the number of employees at REI. We've worked on creating changes in commuting behavior through the promotion of ride-sharing and alternative commuting options, and by understanding the barriers to alternative commuting.

Employee commuting surveys have identified some of the greatest barriers to alternative commuting as the mismatch between transit schedules and work schedules, longer commute time, lack of flexibility, and personal need for a vehicle. The largest incentives for alternative commuting include reduced cost of commuting, decreased commute time, reduced environmental impact, the ability to pay for transit before taxes, and the guaranteed ride home program for alternative commute participants. As the co-op grows, we'll continue to search for new ways to shift the balance away from single occupancy commuting and toward more efficient alternatives.

## Product Transportation—31 percent of total operational GHG footprint

Product transportation accounted for 31 percent of our operational GHG emissions, similar in relative terms to prior years but a higher absolute number, as product transportation CO<sub>2</sub> increased by 10.8 percent from 2013 to 2014, in line with sales growth. Our logistics team continues to work to minimize air freight and increase opportunities to consolidate freight.

## Direct Fulfillment—12 percent of total operational GHG footprint

Direct shipping of web orders to our customers grew in line with our business growth. We expect 2015 to be higher, as we recently increased our ability to make our in-store product inventory visible to our online customers.

## REI Adventures

Our REI Adventures climate impact was 12.1 percent higher than in 2013, due to an increase in the number of travelers on REI Adventures trips.



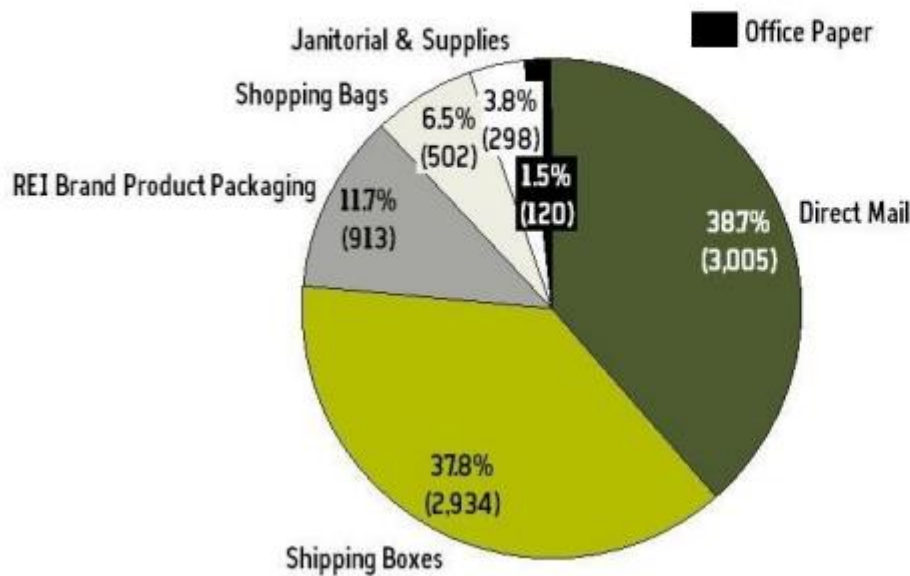
## Paper Use

Access to healthy forests is essential for people to enjoy the outdoors. It’s also essential to REI’s business. We use fiber and the resulting paper products throughout our operations—flyers, cardboard, shopping bags, hangtags and more.

As a co-op that inspires our members to spend more time in the woods, sustainable forestry is a natural focus for us. Part of our approach is the responsible use of resources and the use of our purchasing leverage to help motivate sound practices within our supply chain. We are committed to responsible use of forest resources and mitigating negative environmental impacts from the harvest and processing of paper products that we purchase. REI fully supports responsible forest management practices that promote forest sustainability, biodiversity and long-term shared environmental, social and economic benefits. Our [Paper Policy](#) can be read in our methodology section.

### 2014 Estimated Paper Usage

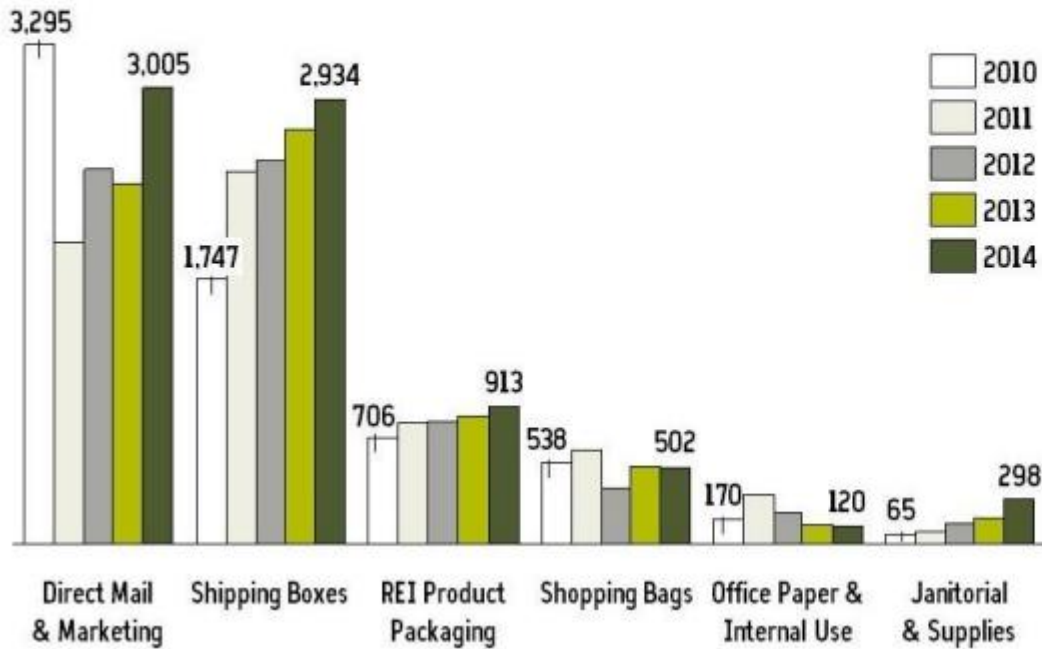
Percent of total (Tons)





## Paper Usage

Tons



Paper Efficiency									
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Annual Sales (MM\$)	\$1,182	\$1,342	\$1,435	\$1,455	\$1,659	\$1,792	\$1,931	\$2,017	\$2,217
Total Paper (Tons)	6,491	7,577	7,969	6,940	6,523	6,298	6,549	6,768	7,771
Total Paper Efficiency (MM Sales \$ / Tons)	0.182	0.175	0.180	0.210	0.254	0.285	0.295	0.298	0.285
Total Virgin Fiber (Tons)	4,828	5,974	5,806	5,314	4,560	3,827	4,091	4,354	4,955
Virgin Fiber Efficiency (MM Sales \$ / Tons)	0.245	0.225	0.247	0.274	0.364	0.468	0.472	0.463	0.447
Direct Mail (Tons)	3,785	4,744	4,771	3,626	3,254	1,957	2,450	2,369	2,994
Direct Mail Efficiency (MM Sales \$ / Tons)	0.310	0.283	0.301	0.401	0.510	0.916	0.788	0.851	0.741

Sources of Fiber									
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Unknown & Undesirable	21.6%	17.1%	14.9%	12.7%	19.0%	22.3%	22.1%	22.6%	11.4%
Recycled	25.6%	21.2%	27.1%	23.4%	30.1%	39.2%	32.1%	35.7%	36.2%
Acceptable	52.8%	50.0%	39.0%	36.5%	11.0%	12.1%	10.5%	11.2%	17.8%
Certified	0.0%	11.7%	19.0%	27.3%	39.9%	26.4%	35.3%	30.5%	34.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%





REI's paper and paper products purchasing policy creates several outcomes. By adhering to the policy, we reduce our environmental footprint, make our paper supply chain visible and align our purchasing decisions with our values and aspirations. Whenever possible we purchase paper products manufactured from post-consumer waste or virgin fiber harvested from third-party certified forests, and avoid buying products where the fiber comes from unknown or unwanted sources.

For several years, REI has successfully sourced almost all of our catalog paper and marketing materials from third-party certified sources. As the paper and paper products market has evolved over the past few years, we have also found third-party certified options for operational supplies, such as register receipt tape and our 100 percent post-consumer waste shopping bags. We still face challenges in finding certified or recycled options for certain supplies, such as cardboard shipping boxes sourced overseas.

Overall, our paper use increased from 6,768 tons in 2013 to 7,771 tons in 2014. This rise is due to an increase in supplies such as shipping boxes, which grew to 2,934 tons in 2014, up 200 tons from 2013, and increases in our marketing mailings. These mailings increased 26 percent between 2013 and 2014. For our mailings, we used all third-party certified paper with post-consumer waste recycled content. We were unable to get reliable data for all of our Private Brands packaging, so we used sales-adjusted estimates for the missing areas.

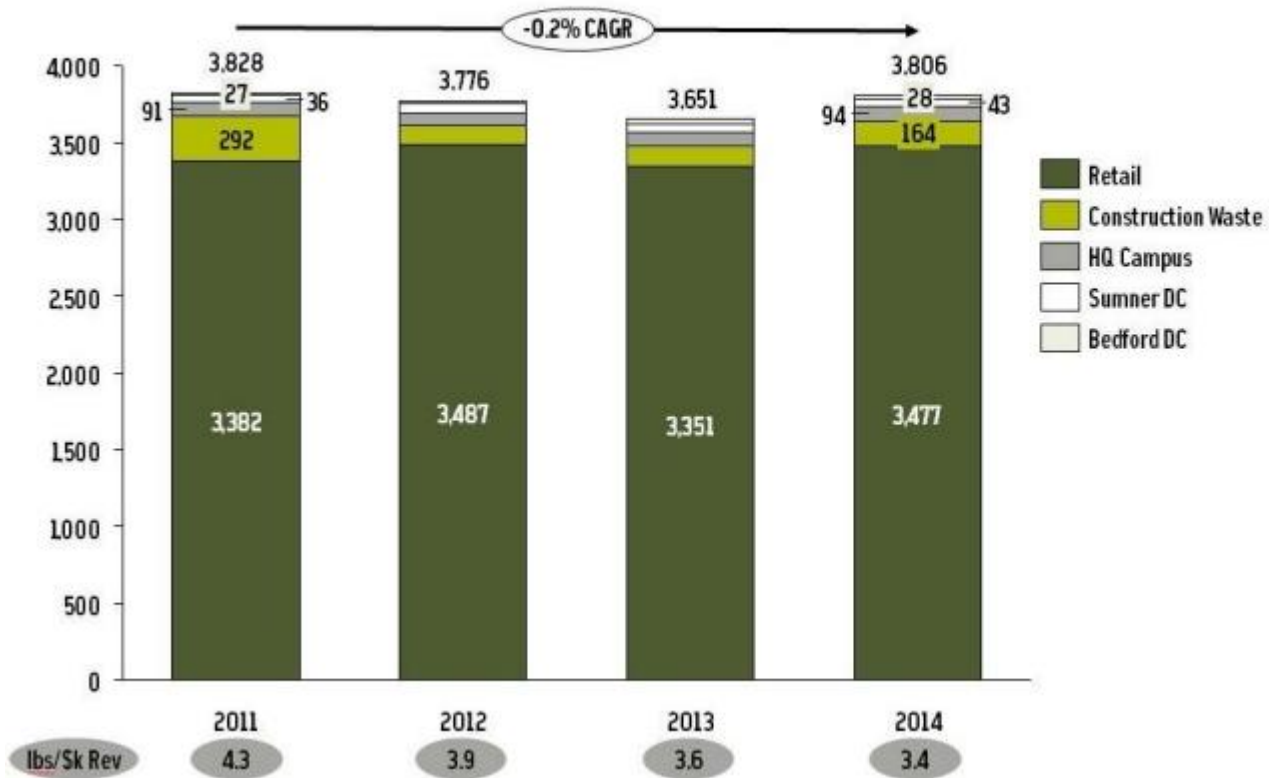
We are encouraged that our total use of certified and post-consumer recycled content percentages remained high. This is due largely to relatively high levels of post-consumer recycled paper used in the cardboard industry and our use of catalog paper that often has a high amount of post-consumer waste content. Combined, our use of post-consumer recycled fiber and third-party certified fiber was 70.8% percent of our total paper footprint, up 4.7% from 2013. REI still faces challenges in eliminating unknown and undesirable sources of fiber in categories of products that don't have robust chain-of-custody accounting systems.



# Waste

## Waste Stream

Tons to landfill



Minimizing our waste contributions requires steady innovation and a commitment by teams across our company. Our progress is also linked to our [product sustainability](#) efforts and involvement with the Outdoor Industry Association’s packaging guidelines that are part of the Sustainable Apparel Coalition’s Higg Index.

REI’s total waste across all operations in 2014 was 3,806 tons, an increase of 149 tons from 2013. This 4.1 percent growth follows two years of reductions in waste. The overservicing of new stores contributed most of the annual increase, and correcting this will slow our waste growth in 2015. Construction waste increased by 33 tons in 2014 due to new store openings, remodels, and store relocations.

Our distribution centers continue to divert the majority of their operational waste away from landfills. Our Bedford, Pennsylvania facility produced 28 tons of waste in 2014, 5 tons less than in 2013. Waste at our Sumner, Washington distribution center decreased from 50 tons in 2013 to 43 tons in 2014.



## Workplace

At REI, we believe that an outdoor life is a life well lived. Every day, more than 10,000 REI employees are focused on getting as many people into the outdoors as possible. Their knowledge of our products and services, their passion for taking care of the places where we play, and their commitment to customer service help make REI a leader in the outdoor industry.

Employees keep our business thriving, and in turn we want to keep them engaged, happy and healthy. We're proud to be a nationally-recognized employer, providing our employees with an inclusive, welcoming workplace and supporting them with comprehensive pay and benefit programs. Employees also enjoy rewards such as Yay Days—a paid day off twice a year for an outdoor pursuit or a stewardship project, a retirement plan that doesn't require individual contributions, health-care benefits, gear discounts and free gear rentals, and an incentive pay program.

Our commitment to provide a meaningful, fun and fulfilling workplace has helped make REI one of [FORTUNE magazine's "100 Best Companies to Work For"](#) for 18 years in a row. While we believe this ranking demonstrates employee satisfaction, we continue to strive each day to maintain our strong culture and high employee engagement so that the co-op remains an employer of choice.

## Employee Engagement & Retention

REI's roots as a co-op and our core purpose—to inspire, educate and outfit for a lifetime of adventure and stewardship—are the foundation of our unique workplace. When employees feel connected to our core purpose, they stay engaged in our business and enthusiastically represent REI every day to our members, customers and communities.

## Employee Engagement Survey

We shifted our cadence of our annual employee survey, which pushed our survey from fall 2014 into early 2015.

Conducted by an independent firm, the survey tracks key engagement indicators and provides comparison results to peers in the retail industry. The survey asks for employee feedback on key topics, including commitment, supervision, customer focus, operational and leadership effectiveness and communication.

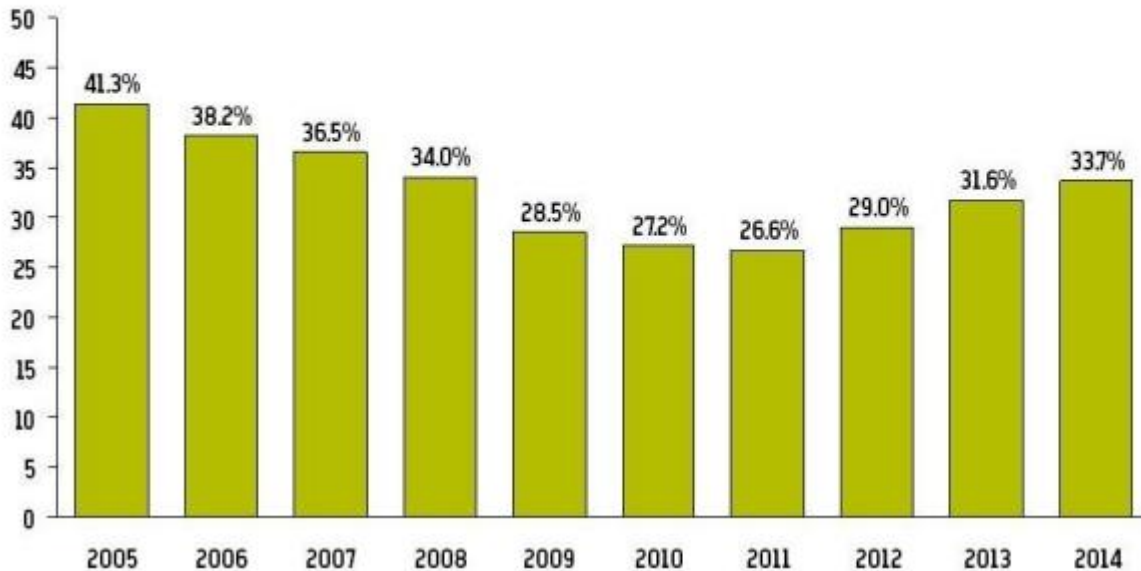
## Turnover and Retention

Despite ongoing high employee engagement, we realize that the effects of the challenging economy, a dynamic retail environment and limited job growth influence our employee retention. In 2014, REI's overall turnover was 33.7 percent, a slight increase over 2013.



## Overall Company Turnover

Percent



## Diversity and Inclusion

For many years, REI has worked to create a welcoming, inclusive environment. We believe diversity and inclusion are foundational to realizing our aspiration to serve our members and customers for 100 years and beyond.

Our vision for diversity and inclusion is that:

*REI is a courageous, culturally competent organization where diversity and inclusion are woven into the fabric of our company, driving superior business results and a sustainable competitive advantage.*

To fulfill this vision, the co-op has aligned its strategy around three primary initiatives and their corresponding goals:

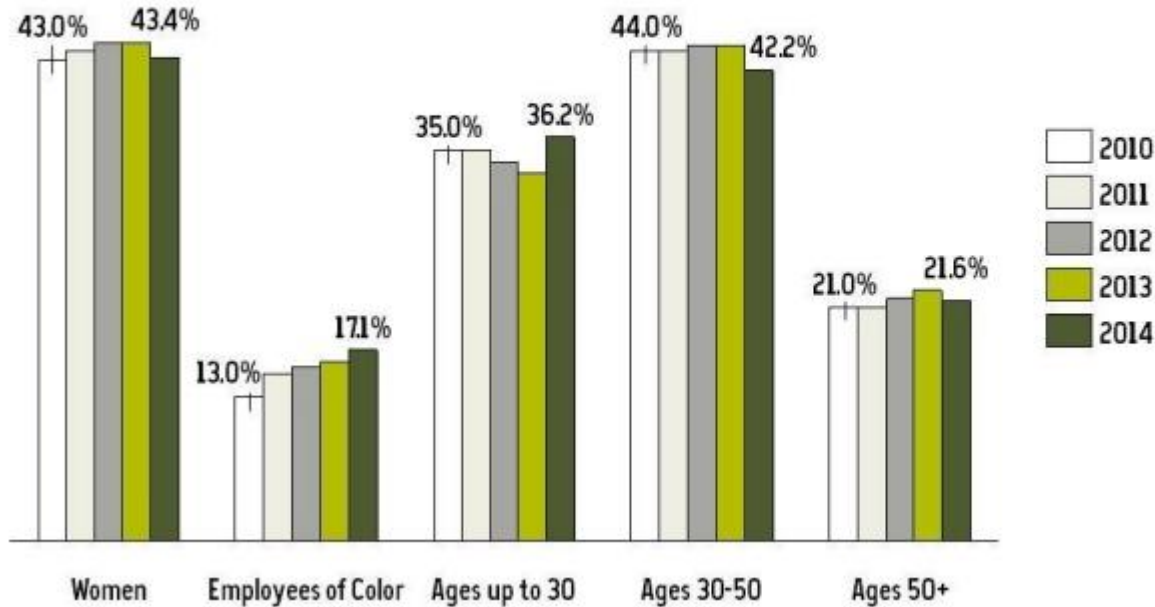
- **Customers:** Engage multicultural audiences in culturally relevant ways
- **Employees:** Attract, develop, engage and retain a diverse and inclusive workforce
- **Partnerships:** Engage communities and build relationships that support our business

At REI, our employees are more than just retail experts; they are members of the co-op and share our vision for a welcoming workplace.



## Employee Demographics

Percent of Total Employees



## Supporting the LGBT Community

Our dedication to an inclusive workplace and customer experience is critical to REI’s success. We are a company with a long-standing commitment to being a responsible and equitable employer and a business that respects and welcomes diversity.

This has allowed us to remain a [Top 100 employer](#) and to have earned a perfect score of 100 on the Human Rights Campaign’s [Corporate Equality Index](#). This increase in our rating for 2014 was related to the addition of health care benefits for employees who are undergoing a gender transition. Additionally, we remain a corporate sponsor of the HRC’s annual fundraising event in our hometown, Seattle.

## Multicultural Partnerships

REI’s multicultural partnership program offers us the opportunity to engage outdoor enthusiasts in culturally relevant ways. We learn what inspires and motivates our multicultural audience, and our partners become more deeply connected to the co-op. Our partnerships have expanded significantly since the program’s inception in 2011. Our relationships now include event support, membership drives, inclusion in REI marketing campaigns and content exchanges. In 2014, we welcomed Latino Outdoors into the partnership fold. They join Outdoor Afro, Black Girls Run, and National Brotherhood of Skiers as core partners.



## Pay and Benefits

An important way we embody our values is by supporting our employees through programs that allow them to flourish and do their best. We offer a variety of benefits and perks that show respect for our employees and their families. Highlighted below are several benefits that are well above average in the retail industry.

### Yay Days

Our sustainability efforts extend into the REI workplace, where more than 10,000 employees are focused on getting as many people in the outdoors as possible. To support our workers, we introduced a new benefit in 2014. REI Yay Days encourage all employees to reconnect with what drives our business—an enthusiasm for the outdoors and taking care of the places where we play. The program provides all employees a paid day off, twice a year, to partake in their favorite outdoor pursuit, take on a new activity or participate in a stewardship project.

### Health Care Coverage

Providing employees with affordable health care benefits aligns with our values. For this reason, we have generous eligibility guidelines. Employees who work at least 20 hours per week, regardless of part-time or full-time status, are eligible for comprehensive health coverage and life and disability insurance through our REI Flex Plan.

Each Flex Plan option covers core services (like preventive care) at no cost to employees. REI subsidizes up to 96 percent of the premium for employee-only medical for our lowest cost plan, which is considerably higher than what most retailers offer.

### Culture of Wellness

Good health and well-being are attributes everyone strives for. Our employees are already inclined to get outside and be healthy, but for those who need a little more motivation, REI has programs in place to help them. All our health plans cover preventive care and maintenance drugs for chronic conditions, and tobacco cessation at no cost.

All employees also have access to the Employee Assistance Program to help them meet the demands of day-to-day life needs. The program offers five free counseling sessions and also provides concierge services to help employees get access to goods and services. We also offer Flex Plan-eligible employees \$300 to apply towards their benefit costs by simply taking an online well-being assessment to help them become more aware of their potential health risks.

### Commuter Benefits

To reduce our carbon footprint and decrease the number of single-occupancy vehicles on the road, through payroll deduction REI provides a 50 percent pre-tax subsidy on public transit expenses (including bus, train, vanpool, and



ferry) up to the current IRS limit. For employees with limited alternative commuting options, we also offer parking subsidy at a pre-tax basis at locations that require paid parking.

## Saving for Retirement

Eligible employees share in the co-op's financial success through our industry-leading REI Retirement and Profit Sharing Plan. This plan is made up of two parts:

- A set and budgeted contribution of five percent of base pay (even if employees don't contribute themselves)
- A discretionary profit-sharing retirement plan contribution up to an additional 10 percent based on company performance

In early 2015, REI funded \$26 million in contributions based on the company's performance in 2014. Eligible employees received the 5 percent company retirement contribution and an additional 7 percent profit-sharing contribution, for a total contribution of 12 percent of base pay. This amount far exceeds the retail industry norm of three percent.

All employees may also contribute their own pay to the Retirement and Profit Sharing Plan. In 2014, we allowed employees to defer up to 75 percent of their incentive payout into the plan.

## Incentives for Performance

Employees receive incentive awards based on how well the overall co-op performs and how each division or store performs. This benefit is offered to *all* employees, regardless of tenure or role. In early 2015, eligible employees shared an incentive plan payout of \$34 million based upon REI's performance in 2014.

## REI is a "Best Place to Work"

Every year since 1998, *FORTUNE* magazine has saluted REI as one of the "[100 Best Companies to Work For](#)" in the country. This recognition is especially meaningful because it's largely based on anonymous employee feedback provided to the Great Place to Work ® Institute.

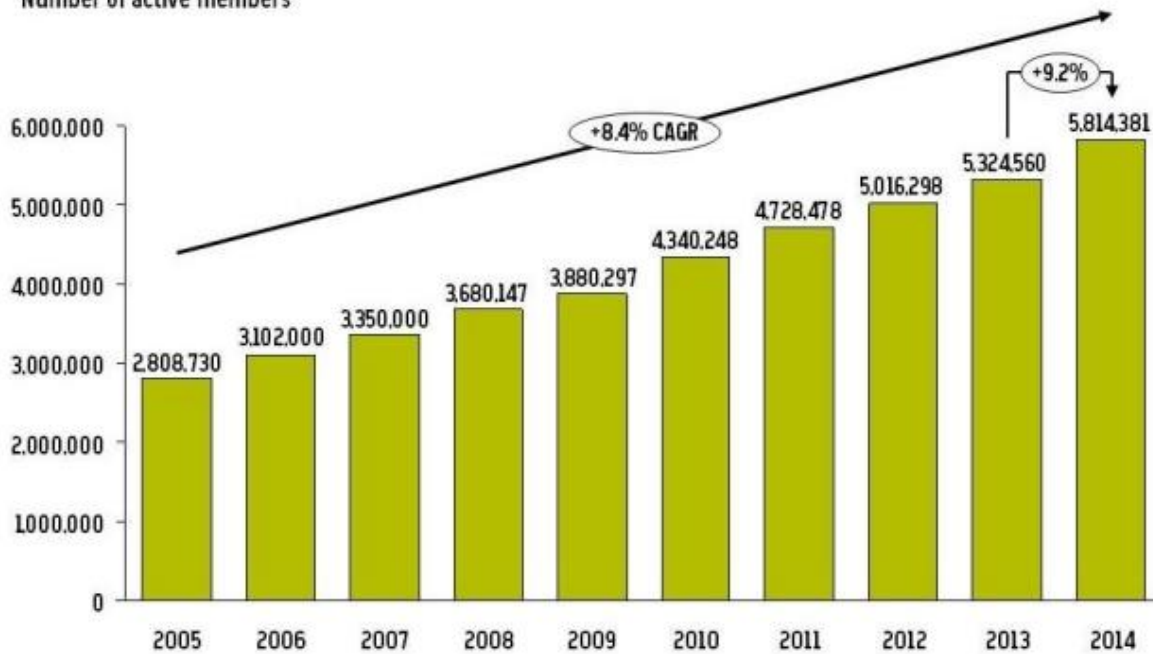


## Quick Facts About REI

Each year, the co-op publishes its [audited financials](#) on REI.com. Additional details on REI’s selected pro-forma results reported below are available in our [annual financials press release](#).

### Active Members

Number of active members



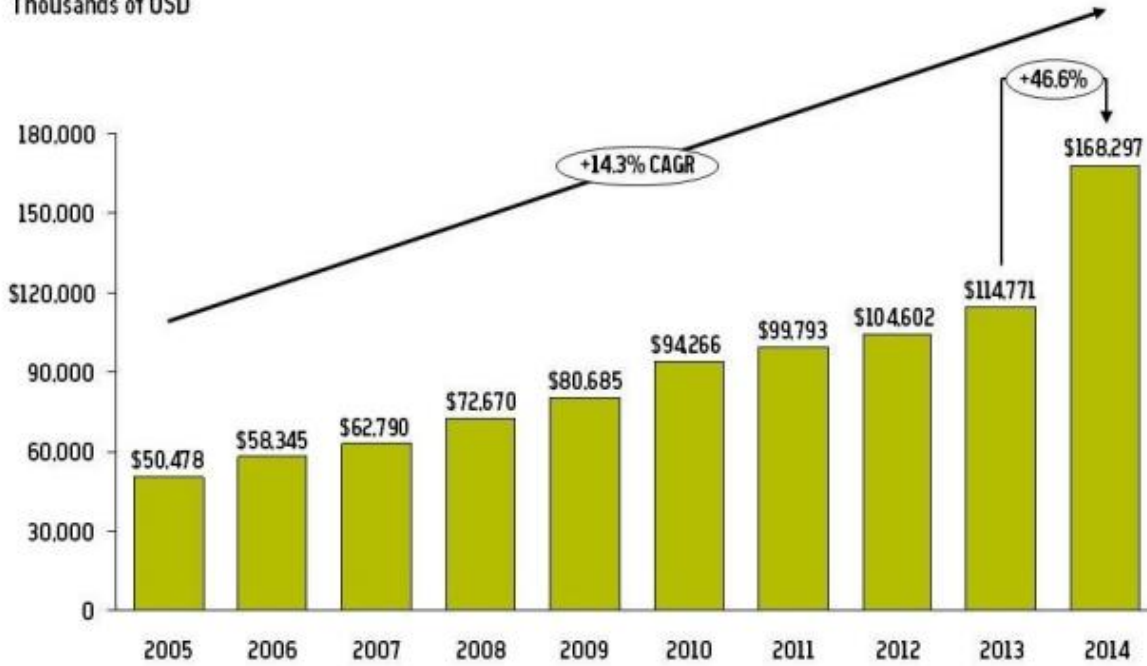
<sup>1</sup> 2014 was a 53 week fiscal year, giving members an additional week to shop to be counted as “active members”  
 Members are considered “active” when they make purchases of at least \$10 in the year





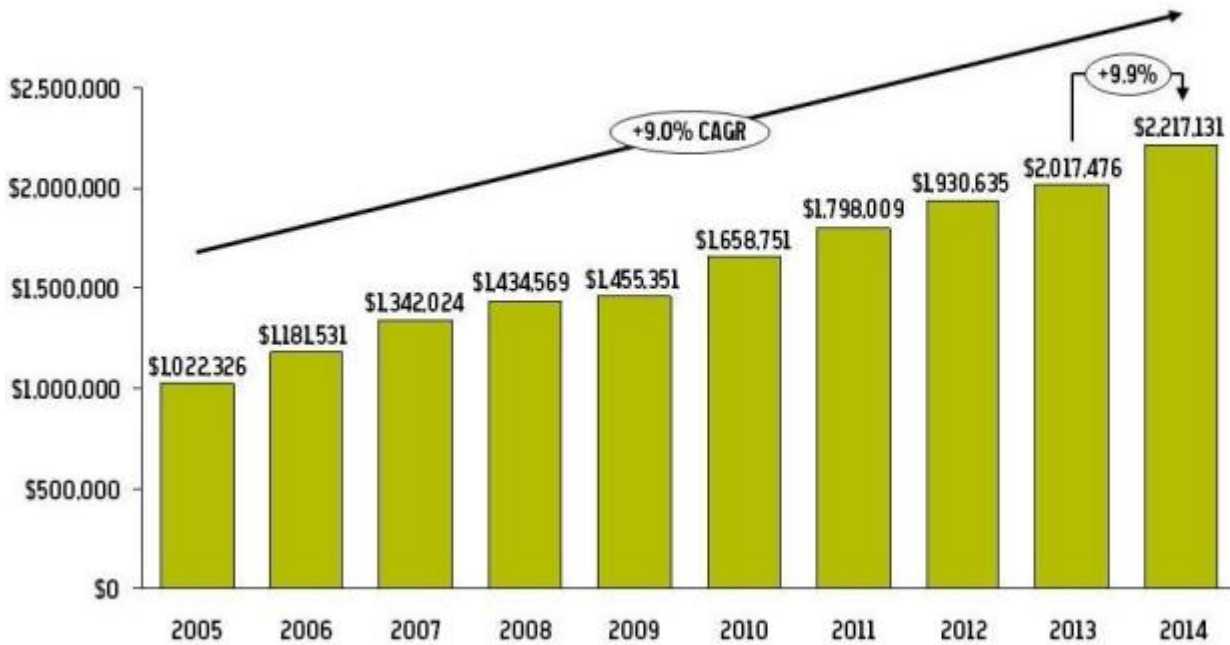
### Member Dividend

Thousands of USD



### Sales Revenue

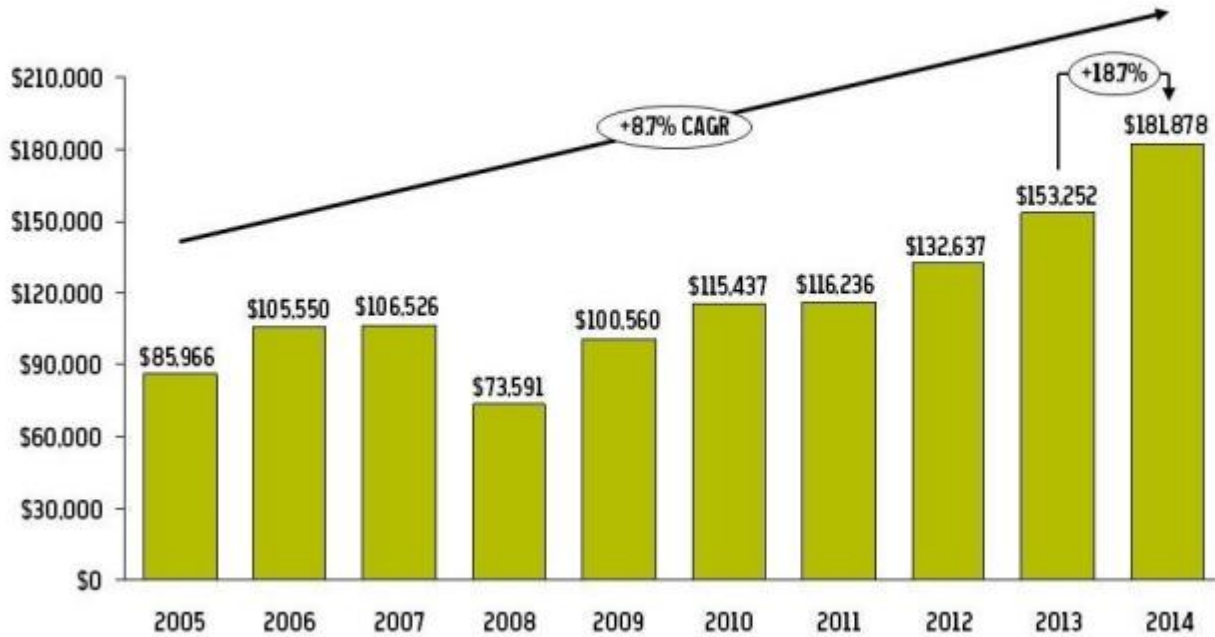
Thousands of USD





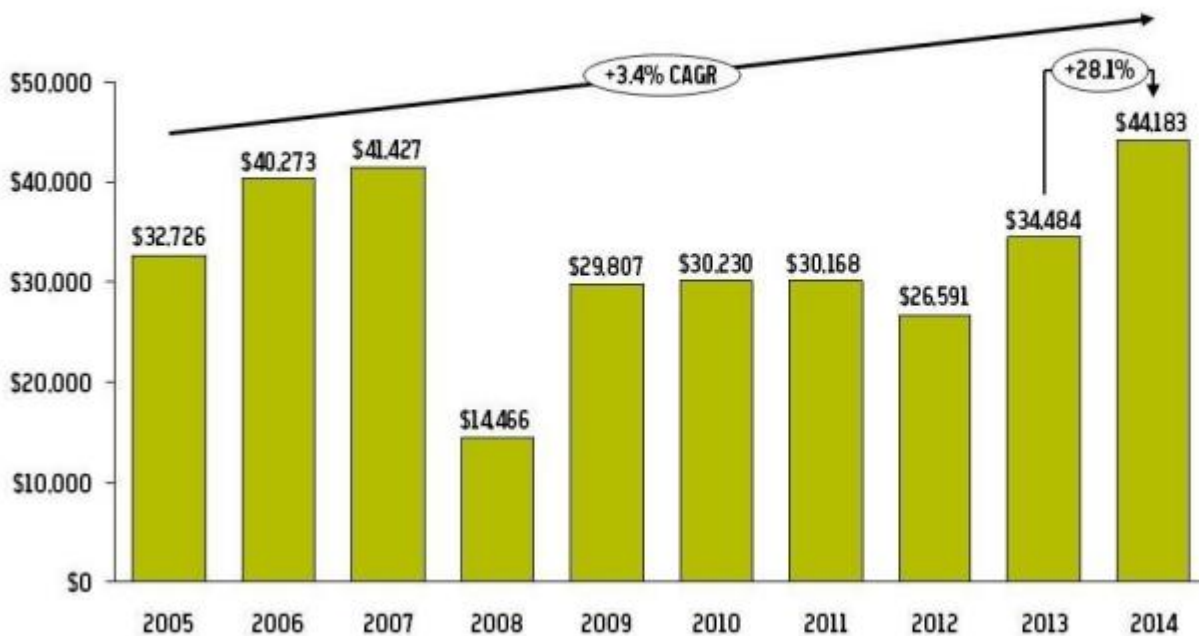
## Operating Income

Thousands of USD



## Net Income

Thousands of USD





# Methodology

This report covers REI's 2014 fiscal year and is our ninth annual consecutive report (since 2006).

- We report on all of our U.S. based operations. We do not currently report on our small quality office in Shenzhen, China. We include the impacts from both owned and leased facilities.
- We contract all REI Private Brands product manufacturing to third-party vendors, and their environmental impacts are not included in the report.
- We do not report the embedded greenhouse gas impacts of the non-REI brand products we sell.

Links to REI's specific environmental methodology and policies are as follows:

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

## Greenhouse Gas Methodology

REI's estimated greenhouse gas (GHG) footprints are based on the best practice of carbon reporting standards of the Greenhouse Gas Protocol, developed out of a joint partnership between the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). The Greenhouse Gas Protocol serves as the foundation for nearly every GHG standard and program in the world.

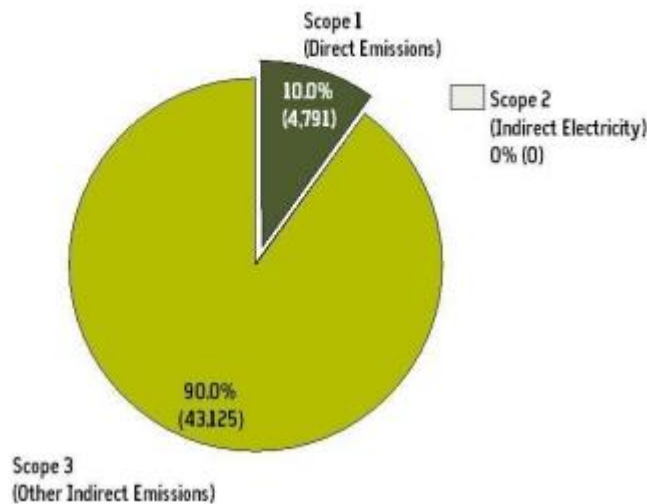
REI's carbon footprint is based on WRI's GHG Protocol. There are some variations in our use of WRI emissions factors, especially when we have direct information about our climate impact that is more accurate than generic industry averages would be and that provide better business intelligence by which we can make decisions.

As a retailer that doesn't directly burn fossil fuels or own production facilities, we have very few direct (Scope 1) GHG emissions. Our carbon footprint falls mostly within Scope 3 indirect emissions. We include several significant Scope 3 emissions in the GHG inventory because we decided that they were material and significant to our business operations. We report significant detail (where we can) in our accounting of Scope 3 emissions, where the majority of our impact occurs. We are aware that a material amount of our Scope 3 climate impact is due to the embedded greenhouse gas emissions in the products we sell and that we don't yet have rigorous accounting methods to accurately capture these data.



## 2014 Operational Carbon Footprint (WRI Guidelines)

Percent (Tons CO<sub>2</sub>e)



### Scope 1: Direct Emissions

10 percent of REI's 2014 impact (4,791 tons CO<sub>2</sub>e):

- Natural gas usage
- Fleet emissions
  - Mail and courier vehicles
- Other
  - Refrigerant leakage from HVAC systems

The only significant non-CO<sub>2</sub> greenhouse gases in our footprint are the refrigerants that escape through normal operations used in HVAC systems in our facilities. No other Kyoto gases\* show up in REI's footprint.

\*The Kyoto Protocol covers emissions from six main greenhouse gases: Carbon dioxide (CO<sub>2</sub>), Methane (CH<sub>4</sub>), Nitrous oxide (N<sub>2</sub>O), Hydrofluorocarbons (HFCs), Perfluorocarbons (PFCs), and Sulphur hexafluoride (SF<sub>6</sub>) (Reference: [United Nations Framework Convention on Climate Change](#)).

### Scope 2: Indirect Emissions from Electricity

Because of our renewable energy sourcing (including RECs) in 2014, the CO<sub>2</sub> impact of our electricity consumption was zero, per WRI's Scope 2 methodology

- Electricity usage



### Scope 3: Other Indirect Emissions

90 percent of REI's 2014 impact (43,125 tons CO<sub>2</sub>e):

- Employee commuting
- Product transportation
- Direct fulfillment shipping
- Corporate travel
  - Air travel
  - Rental car usage

### Energy Use (Climate Impact):

#### Electricity & Natural Gas

We measure energy consumed by REI's operations, including natural gas and electricity at all owned and leased facilities. We do not include the energy used in third-party facilities, such as vendor factories or catalog printing facilities.

Our burning of natural gas directly converts into CO<sub>2</sub> using standard conversion factors.

Electricity we buy from utilities is converted to CO<sub>2</sub> by using the latest EPA eGrid emissions factors at the sub-region level. The most current data from [eGrid 2012](#) is from calendar year 2009. Because the eGrid sub-region for western Washington significantly underrepresents the CO<sub>2</sub> impact of electricity from our utility, we use Washington State reported CO<sub>2</sub> figures that more accurately represent our climate impact for this area. We use this methodology because a significant percentage of our overall electricity usage occurs in western Washington (where our headquarters, several stores and one distribution center are located). Without this adjustment we would underrepresent our climate impact and have less accurate data for business analysis.

Our 2014 electricity consumption from non-renewable sources totaled 61,303 MWh. This includes grid power and on-site electricity (where we generated the electricity on-site but sold the environmental benefits). It excludes an additional 3,138 MWh of electricity that we sourced directly through renewable energy contracts with local utilities and self-generated electricity (where we generated the electricity on-site and kept the environmental benefits). We sourced 62,000 MWh of 2014 vintage Green-e certified renewable energy certificates (RECs). We used the [EPA Climate Leaders](#) methodology to account for the CO<sub>2</sub> impact of our RECs purchase, which makes the CO<sub>2</sub> impact of our grid electricity consumption zero.



## Moving Product:

### Product Transportation

To create our GHG inventory, we claim the carbon impacts for the shipment of goods that we own and in cases where we schedule and control the transportation. Thus, we take responsibility when a vendor ships products from its location to our distribution centers because we control the method and timing of deliveries. We also include the emissions that result from sending product by truck from our distribution centers to our stores, or from fulfilling a direct-to-consumer order by shipping a package via a carrier such as UPS. This approach means that REI assumes responsibility for emissions in three areas: goods inbound (from vendors or factories to our distribution centers or stores); intra-company transfers (shipments from our distribution centers to our stores, between stores, or from stores back to our distribution centers); and direct fulfillment (sales shipped directly to customers).

Increases in REI's GHG impacts can result from the growth of our business, such as increasing the number of stores we operate or the factories that supply our goods, and by using additional air transport to fulfill direct, next-day customer orders.

### Goods Inbound & Outbound

Truck transportation: Truck transportation from vendors to our distribution centers is computed by a ton-mile calculation using the vendor location, the distance of the shipment and the freight weight to arrive at total ton-miles of freight. The CO<sub>2</sub> impact per ton-mile is derived from the average values published for "less than truckload" (LTL) freight shipments consistent with our method for inter-company transfers. Because the average density of our product is less than other shipped goods, we adjust this average value to more accurately represent the CO<sub>2</sub> impact of our shipments. Without adjustment, our impact would be significantly lower.

Direct delivery to our stores: Our product vendors also deliver some product directly to stores, and this occurs via parcel post and LTL freight shipments. The CO<sub>2</sub> impacts from these deliveries have been computed based on total ton-miles of freight multiplied by the average impacts of parcels or average impact of LTL freight.

### Intra-Company Transfers

This category is dominated by LTL freight transportation of goods between our two distribution centers, goods moved among stores, and shipments from our stores back to our distribution centers. These shipments are via common carrier freight services.

Our method of calculation is to measure the total tons of cargo, the number of deliveries and the distance from the distribution center to each store. We use these factors to compute a total freight "ton-miles." To calculate CO<sub>2</sub> impact, we use a national average for fuel mileage of truck fleets and truck hauling weight based on the density of our shipments. Our shipments are less dense than the shipping industry norm, so our factor adjusts for this. We then



apply a standard conversion from diesel fuel gallons to pounds of CO<sub>2</sub>, which gives us a CO<sub>2</sub> factor per freight ton-mile. We then multiply our total freight ton-miles by this factor to give a reasonable calculation of our CO<sub>2</sub> impact. We also use a similar factor for calculating CO<sub>2</sub> from rail freight.

### Direct Fulfillment

This category includes fulfillment of customer orders placed through REI.com. The majority of these shipments go through UPS or other carriers such as FedEx or the U.S. Postal Service. To compute our CO<sub>2</sub> impact, we separated shipments between ground and air transportation.

For ground shipments, we assume a delivery directly from our fulfillment centers to the customer. While this eliminates the possible shipment routes to and from the carrier's logistical system, we think it is a fair representation of the distance traveled. To simplify calculations, we have assumed the average shipping distance is 1,342 miles (delivery to Denver from our Sumner, Washington distribution center), as this is representative of the average distance. Our logistics team verifies the accuracy of this assumption on a regular basis. We computed the total CO<sub>2</sub> impact based on our average package weight shipped for the average distance and we used the same CO<sub>2</sub> factor computed for truck delivery.

For shipments by air, we omitted any ground component because the air impacts are so large that it makes the ground portion negligible. To account for the CO<sub>2</sub> per air mile, we used the passenger air travel factor used for measuring corporate air travel, but we adjusted the impact for the average weight of a package compared to a person. This may overstate the impact because cargo transportation is more efficient than personal transportation in terms of pounds per aircraft, but it has the benefit of consistency with our other reported metrics. As our carbon reporting evolves, we continue to seek best practices in carbon footprinting.

## Moving People:

### Corporate Travel & Employee Commuting

To measure the climate impact of corporate travel, we count the impacts of transportation (air flights and rental car usage.) We do not currently include indirect impacts, such as the energy used in the hotel where the employee stays.

For air travel, we use an emissions factor per passenger mile that includes a multiplier to account for the increased climate-change impacts of radiative forcing. We do not calculate CO<sub>2</sub> based on flight segment length, carrier, or class of air travel (economy vs. business or first class). We continue to seek rigorous flight and carrier level CO<sub>2</sub> factors so that we can more accurately measure our impact and also as shift our business to the most efficient carriers.

For rental cars, to calculate CO<sub>2</sub> we measure the number of rental days booked by REI employees, and use industry averages for average miles per day and fuel mileage for the classes of cars we rent.



## Employee Commuting

To measure the climate impact of our employees commuting to work in 2014, we combined our employee headcount data with our fall 2013 annual commuting behavior survey. This survey confirms trip distances, work schedules, and commuting behavior. We assume that employees who didn't respond to the survey have the same commuting habits as those who did respond. This can introduce some error into our calculations. To calculate total miles and emissions, the measurements are projected to reflect the entire population at each location, with the exception of our headquarters, where we projected emission factors within each individual department (rather than the campus as a whole).

To project the total company emissions, a number of estimates are used to calculate the carbon emissions for retail employees and the Bedford distribution center. In 2014, these estimates were calculated using these guidelines:

1. Our largest facilities (our headquarters, Sumner, Washington distribution center, Bedford, Pennsylvania distribution center and several stores in major urban areas) were measured directly, and their CO<sub>2</sub> output was calculated from employee responses.
2. Stores with significant public transportation options were assumed to have the same carbon output per employee. These include: Seattle, Berkeley, Portland, Boston, San Francisco, Pittsburgh and Manhattan.
3. All remaining retail stores were considered to have similar commuting patterns to the Sumner distribution center. In 2007, a distance comparison was done between the average commute to the Sumner distribution center and retail stores. Store commutes were found to be shorter, so carbon emissions were adjusted downward accordingly. Second, part-time store employees, on average, work 3.5 days per week compared to 4.1 days per week for part-timers at the distribution center. Again, carbon emissions were adjusted downward to reflect this difference.

## Miscellaneous Greenhouse Gas Emissions:

A portion of REI's climate footprint comes from small, but meaningful sources. Miscellaneous emissions include the climate impact of fuel for fleet vehicles and the leakage of refrigerants from heating, ventilation & cooling (HVAC) systems at our facilities where we control maintenance. These are tracked through invoices, vehicle logs and bills.

## REI Adventures:

In an effort to fully account for the GHG associated with our travel business, we estimate the GHG impact of our customers' travel door-to-door, including flights – even if REI did not include the flights in the trip package. We add the in-country impact of our trips to the travel impact to show the total climate impact of our REI Adventures business. This level of transparency goes beyond typical disclosure of climate impact in the adventure travel industry.





In defining the boundaries for a company's climate footprint, the GHG Protocol methodology differentiates between direct and indirect emissions.

- Direct GHG emissions: emissions from sources that are owned or controlled by the reporting entity, known as Scope 1.
- Indirect GHG emissions: emissions that are a consequence of the activities of the reporting entity, but occur at sources owned or controlled by another entity. The impacts of purchased electricity are known as Scope 2, and other indirect emissions are known as Scope 3.

## Waste Methodology

REI counts waste-to-landfill from all of our owned and leased facilities, including waste generated in regular operations and waste from one-time/one-off projects such as new store construction and major remodels. In our largest facilities, we pay for waste-to-landfill based on its weight, which allows us to simply track our progress. For the majority of our facilities (retail stores), however, our waste is not measured by weight, and our dumpsters are picked up whether they are full or empty.

In early years, we used a detailed survey to estimate how full these dumpsters were across our many locations. Although this method was relatively accurate, it had a number of drawbacks – it relied on estimates, was resource-intensive to administer, and failed to align the financial cost of our waste with the environmental cost. We see the simplest way of measuring our progress towards our aspiration as measuring the number of dumpsters we pay to dispose of. Starting in 2010, we updated our metrics to reflect this direction.

We quantify waste in tons, using direct weights (from compactors, etc.) when possible, and industry density estimates when not. For standard “roll-off” dumpsters picked up on a regular schedule at our retail stores, and sometimes at our support facilities, we count the dumpster as full in volume regardless of its actual fill percentage, and then we convert this volume to tons using a standard density conversion. We also count the occasional additional pick-up that our stores call for at times of heavy volume. For stores where waste disposal is shared with other tenants (often in a shopping mall), we estimate waste-to-landfill by assuming that the waste-to-landfill per sales dollar is the same as in the stores where we control waste disposal.

This approach gives us a clear, simple methodology that aligns our reductions in waste with direct expense savings from reducing landfill service.



## Paper Policy

REI has established the following policy commitments:

### **1. Responsible/Efficient Use of Forest Products**

Wood and paper are renewable natural resources that, when sourced under a responsible program, can represent a sustainable material choice. We will create and maintain purchase specifications for the responsible sourcing of each category of paper products, and we will always strive to use paper products responsibly. Recycled content and alternative fiber sources will be evaluated on a total life cycle assessment basis.

### **2. Known Origins (Chain of Custody)**

REI will strive to know with reasonable, verifiable certainty the source of our paper including the source of all virgin wood fiber we purchase. This will be accomplished through contractual supply chain agreements, audits, and oversight of suppliers. The most desirable assurance is a credible, third-party certified chain of custody.

### **3. Sources of Fiber**

REI aims to assure that all paper and wood fiber is legally harvested and traded, and is not obtained from controversial sources such as:

- Harvesting and processing in areas that violate human rights
- Areas where the timber trade is driving armed conflict
- Areas that are being actively converted from natural forests to plantations
- Non-forest uses or that use timber from genetically modified trees

We will also strive to eliminate wood or fiber harvested in ways that promote environmental degradation, and we will not knowingly source from High Conservation Value Forests (HCVF) unless such forests are certified under a credible certification program.

### **4. Environmental/Social performance of supply chain partners**

REI is committed to sourcing from supply partners, sub-tier suppliers and mills who demonstrate a high level of environmental and social performance. Compliance with applicable regulations is a minimum, but we will give preference to suppliers who can demonstrate a commitment to sustainable operations and have a track record of continuous improvement through a formal environmental management system.

### **5. Commitment to recycling at REI – “Closing the loop”**

REI is committed to the principal of “closing the loop” for paper and paper products. We will strive to assure that paper and wood products used in our operations are recycled or reused.



**Definitions:**

Unknown: Paper and wood fiber that does not have a traceable chain of custody.

Undesirable: Paper and wood fiber that is the product of illegal logging or is obtained from controversial sources in areas that:

- Contribute to human rights violations
- Drive armed conflict from timber operations
- Actively convert natural forests to plantations or non-forest uses
- Use timber from genetically modified trees or sourced from high conservation value forests (HCVF), unless the source is certified under a credible certification program.

Recycled: The amount of post-consumer recycled content in our paper products.

Acceptable: Sources of fiber are those that are not undesirable sources, although they have not been formally certified.

Certified: Sources that have received certification by a credible certification program.