



2015
**STEWARDSHIP
REPORT**

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LETTER FROM THE PRESIDENT

March 2016

Since 23 mountaineering friends founded the co-op, REI has always been about the joy of a life lived outside. Our co-op model allows us to support that passion and to think “beyond profit.” The co-op is passed from one generation of stewards to the next. Each generation is connected by a deep love of being in places full of life and wonder. That’s what it means to steward the oldest and largest outdoor co-op. We are working across generations for the outdoors because it helps us live our lives to the fullest.

Stewardship is how we think about the long-term health of the outdoors. It is closely linked with how many companies address sustainability. It demands constant progress because it means nurturing that which existed before us and striving to leave it better, long after we are gone.

But surprisingly, not all REI members know that each year, to invest in the outdoors, we share nearly three-quarters of our profits with the outdoor community. To make the link between the health of REI and the health of the outdoors clearer, we have brought forward our Stewardship Report publication date to coincide with sharing our financial results, showing that your support helps us to steward the outdoors.



When REI is doing well, we can do more for the outdoor community. As REI grows profitably, we can invest more in our people, in our members and in our nonprofit partners. So we are happy to share that 2015 was a good year for the co-op.

This March we are sharing record dividends. Our 6 million members will receive more than \$185 million through dividends in the mail, compared with \$165 million last year! More than 12,000 REI employees will receive \$70 million through REI’s retirement and incentive program and we estimate conservatively that we will invest more than \$8 million in hundreds of nonprofits who steward the outdoors daily.

We can only do that thanks to the dedication of our employees and the loyalty of our members. We share a passion for the outdoors that started more than 77 years ago. Our founders believed that life is better outdoors. Breathing fresh air, exploring, teaching one another new skills in the majestic landscape of the Pacific Northwest and beyond. They understood their responsibility to the outdoors and the community that depends on it. We follow in their tracks.

Stewardship is a mindset that helps us to imagine the positive, lasting impact we can have together. It helps us to think past the short-term and the easy path – to look to the future and to think about our legacy. That is why, starting this May for the annual REI member meeting and continuing during the year, I am inviting you – our members – to participate in a conversation about our long-term stewardship dreams that we have started with the Board and REI’s 12,000 employees.

We are inviting you to share ideas that could have a positive impact on the outdoors 100 years from now. Why? This year is the centennial of the National Parks Service, imagined by people who believed in the life-transforming impact of being in nature. As we celebrate that achievement, we believe it’s the perfect moment to dream about what’s next.

We plan to think big. What could new models for funding trails nationally unlock? Or new ways of inspiring the next generation to explore the outdoors? Or new ways to create and share gear? Or our membership base engaging in the topics that matter most (consider the power and impact of #OptOutside)?

These are tough questions. So while I hope you appreciate looking backwards at the great progress the co-op made against the four pillars of our stewardship strategy in 2015, please consider joining the leaders and employees of REI by looking forward with us in May. What could the co-op and its members do to steward the outdoors for the generations that will be pursuing a life outdoors in 100 years, when we are all long-gone?

See you outside,

Jerry Stritzke
President and CEO

LETTER FROM THE CHAIR

March 2016

In his president's message this year, Jerry emphasizes that our co-op is centered on a belief in something bigger than business. As the elected representatives of REI's more than 6 million members, all REI board members strongly share that view. Our stewardship work is therefore one of the most important (and enjoyable) things we do as a co-op, because we all believe deeply that life is richer, more connected and complete when you make the outdoors a part of it.

How REI steps up for the outdoor community is a big topic of conversation each time we meet as a board. So in 2015 it was great to see our members come together: first, for the Nepal earthquake when our community gave more than \$850,000 to Mercy Corps in just a few days; then 100,000 of you voted for your favorite trails in just 37 hours, investing \$500,000 in game-changing projects for ten of the hundreds of trails we support; and, most recently, more than 1.4 million people rallied to take part in #OptOutside, advocating for the life we all love. It has been wonderful to be a part of.

As board members, we believe that business strategy can and must align with positive social and environmental impact. Our job is to ensure that we run the business for the long-term health of the co-op and for the planet. That's why, at REI, people and society make up three-quarters of how we evaluate success, because the communities the co-op serves (and depends on) and the outdoor places we all love are interconnected. It's a significant priority, anchored in our worldview that success demands changing how limited natural resources are used and to expand access to inspirational places.

That's the standard the co-op strives to live up to. Go back more than 77 years to the founding of REI and it's clear that Mary and Lloyd Anderson imagined and created an organization designed not for profit maximization, but for people—their friends—who loved the outdoors. Following in that example, today stewardship is a concept that is bigger than one person's choice or responsibility to care for the land, to how we, as a community, can serve the outdoors.

Today we have a lot more people to think about. The original 23 members have become more than 6 million. Growth and progress matter because they help us make the outdoors a part of a full and healthy life for this generation and for the next. And the way we pursue that passion is so important because living up to our shared values is much more meaningful than the idea of maximizing share value (as an independent, member-owned co-op, we don't have shares).

All this makes REI a different kind of organization to be a part of. The Stewardship Report was rewarding to read this year. The co-op has made significant progress across all four pillars of our stewardship strategy and, as members, we will have an opportunity this year to take part in a conversation about the positive impact we can have on the future of the outdoors for 100 years and beyond. That's a rare conversation to be a part of and we encourage and welcome your participation, because your engagement makes the co-op stronger.

Cheryl Scott
REI Board Chair



INTRODUCTION



At REI, “stewardship” is how we talk about sustainability, both in our business operations and the outdoor places where we play. The word “steward” reminds us that we are taking care of our community and environment which came before us and will be sustained long after we are gone. Our co-op depends on inspiring outdoor spaces being accessible and well taken care of for generations to come. We believe that as we do that, we must change how limited natural resources are used and consider the collective impacts of operating our business.

As a co-op, our commitment to stewardship is essential to how we measure success, which is very different from the approach most companies take. Three-quarters of our success measures are about more than money. Instead, we prioritize people, the environment and the lifestyle we love.

OUR FOUR MEASURES OF SUCCESS

Our employees – Are we a great place to work for people who love the outdoors?

Our members – Are we offering a compelling experience and engaging our community?

Society – Are we having a meaningful and positive impact on the communities we serve and depend on?

Our business – Are we running the co-op well?

In the most fundamental way, therefore, big-picture sustainability is built into our business model. It is a vital component of how we live up to our belief that a life outdoors is a life well-lived.

Now in its 10th year, our annual Stewardship 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 share all this detail so that our members, customers, communities and employees feel part of our efforts and can engage as stewards of the outdoors themselves.

So, please dig into the content. This is the single place you can track our progress, our challenges and what lies ahead as we work to live up to the promise of “a lifetime of outdoor adventure and stewardship.”

The content is structured in four sections that reflect our areas of strategic focus: Curate Sustainable Products, Create Access, Catalyze Experiences and Core Practices. We highlight successes and challenges during the 2015 calendar year, and look ahead to 2016.

Please share your thoughts at stewardship@rei.com.

ABOUT REI

REI was founded in 1938 to remove barriers that kept our founding members from getting outdoors: the lack of access to great, affordable gear and to places to recreate. More than 77 years later, we continue to focus on how we can create access to the outdoors, while enhancing outdoor experiences and the processes of designing, manufacturing and distributing great gear. Our scale helps us do that and our co-op model means that as we grow, so does our ability to reinvest in our employees, our members, our communities and the places we love.

The following statements – our credo – capture what we believe.

WE BELIEVE AN OUTDOOR LIFE IS A LIFE WELL LIVED.

THIS IS OUR PASSION.

AS A CO-OP, WE ACT IN THE BEST INTEREST OF OUR MEMBERS.

THIS IS OUR DNA.

WE ARE PASSIONATE ABOUT THE OUTDOORS AND LOVE TO SHARE IT. WE ARE INSPIRED GUIDES.

THIS IS OUR JOB.

WE WILL BE THE BEST IN THE WORLD AT CREATING AUTHENTIC OUTDOOR EXPERIENCES THROUGH GEAR AND EXPERTISE.

THIS IS OUR GOAL.

WE BELIEVE SUCCESS DEMANDS CHANGING HOW LIMITED NATURAL RESOURCES ARE USED AND EXPANDING ACCESS TO INSPIRATIONAL PLACES.

THIS IS OUR WORLDVIEW.

These statements show that as a co-op we can focus on the long-term interests of the co-op. We answer to our members—and run our business accordingly. We run a business with a healthy view of growth. We play an important role growing engagement in the outdoors and protecting the environment for future generations because we are committed to leaving a legacy on behalf of all of our members.



Pictured above: REI Co-founder Lloyd Anderson climbing the Jungfrau in the 1930s.



Closing on Black Friday to #OptOutside

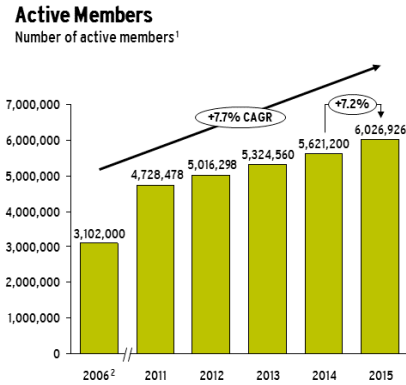
On Black Friday in 2015, REI chose to do something different. We decided to #OptOutside on the most celebrated shopping day of the year, closing our 143 stores, blacking out our website and paying all 12,000 employees to get outside with friends and family. #OptOutside reminded people of the transformative power of the outdoors and offered another option for how to spend the day with family and friends. The movement gained momentum as more than 1.4 million supported #OptOutside, and 175 organizations and companies joined us as well, including hundreds of state parks offering discounts and incentives.

MEMBERSHIP

ACTIVE MEMBERS

Being an REI member means being a part of a community and sharing a passion for the outdoors. As our community of outdoor enthusiasts grows, our collective voice to influence and advocate for the outdoor places we love, gets stronger.

In 2015, more than 1 million new members joined REI. Today, more than 6 million members are actively engaged with us. Millions more purchase gear, participate in classes and events and share stories of their outdoor adventures through initiatives like #OptOutside.

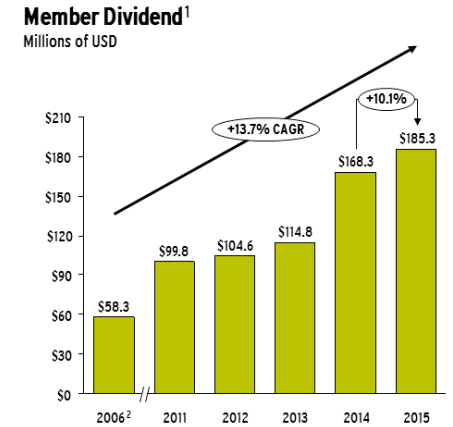


¹ Members are considered "active" when they make net purchases of at least \$10 in the year.
² 2006 is included to show a ten year perspective.

MEMBER BENEFITS

Our members choose to support the co-op and, in turn, we make it our responsibility to represent the outdoors community. We invest in community partners and advocate on the policy issues that matter. We provide exceptional customer service, knowledgeable advice from passionate employees, opportunities to travel and learn through outdoor classes and trips, and the gear needed for outdoor recreation.

The co-op exists for our members and, as a co-op, we return our profits to you through annual patronage refunds in the form of yearly dividends. In 2016 we are sharing a record-setting \$185 million with members who shopped with us in 2015, including a record \$135 million dividend and \$50 million to REI credit cardholders.



¹ In 2014, for this chart, we combined the REI Visa Rebate with the Member Dividend to better reflect shared financial benefit to our membership. 2013 and earlier are non-comparable with 2014 and 2015.

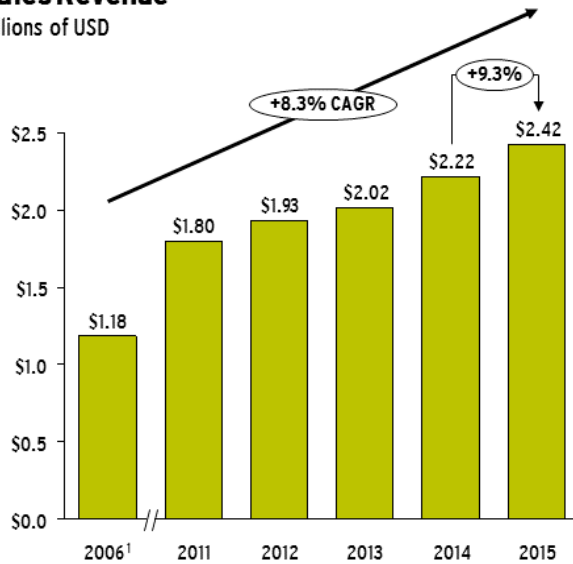


FINANCIAL INFORMATION

Sales growth of the co-op is one sign of the financial health of our organization. Our revenue includes selling gear and apparel, as well as providing services like our REI Adventures travel business and REI Outdoor Programs classes (although many classes are also free). The co-op reported record annual revenues of \$2.4 billion from 2015, a 9.3 percent increase from 2014. The growth we achieve helps us to invest back into REI and into the outdoors since nearly three-quarters of our profits go back to our communities – to members, employees and nonprofits.

This is the right time to invest in the long-term health of the co-op and our community. Progress enables us to invest in infrastructure, technology, our people and our communities. We chose to do that in 2015. That is why, if you refer to our audited statements, our operating profit and net income are lower than in 2014. As noted above, in early 2016, we returned a record \$185 million to our members in their patronage dividend. The co-op also committed \$8.5 million to invest in nonprofit partners, including signature investments from The REI Foundation to the National Parks Foundation.

Sales Revenue
Billions of USD



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. Our belief in a safe, fair and non-discriminatory working environment apply to both our own employees and those manufacturing our products. 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, sustainable chemistry program, product materials and packaging, and industry collaboration to achieve better outcomes.

HIGHLIGHTS

- Shifted to 100 percent Responsible Down Standard (RDS) for our private brands products to ensure that the down used in our products will come from ethically treated ducks and geese.
- Continued our use of the Sustainable Apparel Coalition's Higg Index tools, which REI helped to create, and pilot-tested the new Design and Development Module.
- Redeveloped the Fair Labor Program during the course of 2015 to function more effectively in the program's new location within the organization.
- Established a sourcing relationship with the first Fair Trade certified apparel factory in the United States., which will produce the t-shirts for REI's National Parks Centennial product assortment. As part of the program, the California-based factory supports an independent, democratically elected group of worker representatives.
- Conducted 33 factory audits using third-party professional auditors to ensure adherence to the Factory Code of Conduct. Together, these audits account for 42 percent of finished goods factories and 71 percent of our annual production volume.
- Continued our partnership with Mountain Equipment Co-op with overlapping factories in our supply chains by collaborating on audits and corrective action plan remediation.
- Added three additional positions in Asia to monitor working conditions in the factories, correct issues and provide training.
- Partnered with the International Labour Organization's Better Work Programme (ILO-BW)—a partnership between the ILO and the International Finance Corporation designed to improve labor standards in global supply chains. We deepened our partnership with ILO-BW, particularly in Vietnam where our supply base is expanding.
- In a related initiative, we cosigned a public statement—facilitated by the Sustainable Apparel Coalition—supporting the creation of a standardized global labor auditing protocol.

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 a maximum of 60 hours per week. In China, notable challenges include insufficient social insurance payments and transparency in 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.

Keeping our environmental footprint as small as possible 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 by expanding into the Tier 2 material supply chain for 2016 in an effort to integrate Fair Labor into our strategic sourcing decisions more robustly. This will strengthen our focus on environmental health and safety (EHS) as a top priority and will also allow us to be more engaged in local multi-stakeholder initiatives.

We will also grow our Sustainable Chemistry Program by continuing to enhance our chemical testing of raw materials, training suppliers on best practices for chemical handling and exploring novel green chemistry solutions. We will pilot-test the Higg Facilities Environmental Module (FEM) 3.0 by training and helping our direct factories complete the module.

We continue to seek 100 percent compliance with our Factory Code of Conduct for private brands. In addition to strengthening this program further in 2016, we will look for more ways to influence wholesale brands. 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.

Finally, we will continue transitioning our private brands products to bluesign®-certified materials by 2018. bluesign is a comprehensive environmental health and safety system for sustainable textile production. It ensures that the final textile product is manufactured responsibly and meets the most stringent consumer safety requirements worldwide. We believe it is the most effective means of minimizing the environmental impacts of fabric manufacturing and ensuring consumer safety.

Pictured left: The REI Co-op Down Jacket is made using bluesign certified materials and with RDS certified down.

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. Our Factory Partner list is available [here](#).

To advance this practice, the Fair Labor 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 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 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, we elect to audit a percentage of the tier one factories in our supply chain. Tier 1 factories are those locations where final assembly occurs. In 2015, the supply chain for REI brand products consisted of 76 factories. Of those, 33 factories were audited or assessed, totaling 42 percent of our finished goods factories, representing 71 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 2015 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 Fair Labor requirements.
- Inadequate staff to handle social compliance work.

The following industry trends continued to exist in 2015, as noted by auditors and the Fair Labor 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.

The team used a traditional audit approach in 2015. These assessments allow us to identify potential non-compliant activities and flag such activities in the existing REI FFC audit scope. This procedure provides visibility into our supply chain and a platform for us to track the progress and report on the status of resolving specific issues.

PRODUCT MATERIALS AND PACKAGING

Throughout our design and manufacturing process, REI considers the health and well-being of people who use and make our products. We also work on lessening the environmental impacts of the apparel and gear we sell, including how we package our products.

CHEMICALS MANAGEMENT

Chemicals are used in the manufacturing of consumer products, including the waterproof, breathable and fire resistant materials we use in some of our high-performing outdoor products. That's why we are working closely with many companies in the Outdoor Industry Association and some academic institutes to research, understand, reduce and eliminate chemicals of concern used in the manufacturing of our products, including flame retardants that are required on camping and backpacking tents in several states. We and our industry partners are also working with the American Standards and Testing Methods (ASTM) to re-evaluate the flammability standard, which we believe is outdated. Changing a standard takes time, but we are working to expedite the process and have already made changes to the flame retardants used in REI brand tents.

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 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 about half of the fabric in REI private brand products to the bluesign certification. In 2013, we set a target to use only 100 percent bluesign certified fabrics and apparel trims by the time we launch our 2018 lines of private brand products. The 100 percent target signals our commitment to accelerate 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). As of fall 2015, all of our private label down insulation is 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 to 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.

Pictured left: In 2015, we shifted to 100 percent Responsible Down Standard in our private brands to ensure the down used in our products comes from ethically treated ducks and geese.

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. 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

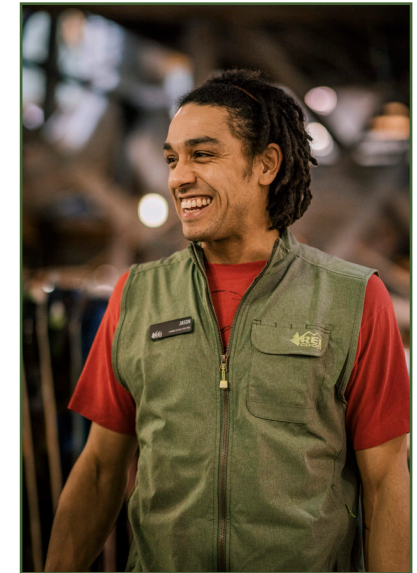
The Higg Index is a suite of sustainability tools developed by the SAC to measure environmental and social impacts. Each of these tools—called “modules”—is used to assess apparel and footwear supply chains. The modules provide different lenses for understanding the effects of our business and setting 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 played a founding role when this work began in the OIA and was one of the early members of the SAC. This group 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 Higg Index provides us with a standardized and comprehensive platform for working with our suppliers to address environmental management systems.

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 the 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.



The Green Vest Reimagined

In 2015, our in-house design team worked with employees throughout the country to reimagine the iconic REI green vest. We extended our promise of curating sustainable products to these new green vests, using 100 percent bluesign fabric, upcycling the old vests and designing the new vests to be recyclable. The team used our Co-operative Design Thinking when redesigning the vests—collaborating with hundreds of employees from dozens of stores to create a piece of gear to fit their needs. The new vests are also a vehicle to recount the co-op's history with stories woven into each vest, shirt and apron to highlight our 77-year history.

CREATE ACCESS



OVERVIEW

Everyone should have access to the outdoors. As members and employees, we love spending time outside. We love the adventures our gear enables, and we believe that to live an outdoor life demands changing how natural resources are used and creating access to inspirational places. That's why we invest in community partners across the United States who share our goal of creating, improving and sustaining access to inspiring places. It's also why we dedicate resources to programs that introduce our members to outdoor experiences. We believe in the power of healthy outdoor infrastructure to keep people and society healthy and happy. And we feel strongly that the work of our country's stewards is vital to making that possible, which is why we support and advocate for their work.

To do that, we focus on supporting the outdoor community both locally and nationally. We do this by collaborating with nonprofits, industry partners and government officials to mobilize stakeholders and use our collective power to advocate on behalf of the outdoors. This section of the report tells the story of how we do that work. We also detail our grants, community partnerships, work of The REI Foundation (a separate 501(c)(3)), and our advocacy efforts.



A Birthday Gift to the National Parks Service

In 2015, we announced our multi-year, multi-million dollar partnership with the National Park Foundation to celebrate the 100th birthday of the National Park Service. Our effort is focused on helping people to go deeper into the national parks, diversifying access for new visitors and unlocking new experiences for those who already know and love the parks. Our partnership includes the REI Co-op Guide to the National Parks—a digital trail guide powered by the collective knowledge of the outdoor community—and several other areas where the co-op is involved, including donations from REI Adventures' national parks trips and REI private brands park-related products.

HIGHLIGHTS

- Invested \$8.5 million in more than 300 local, regional and national nonprofits working to steward and increase access to more than 1,000 inspiring outdoor places. From 1976 to 2015, REI and The REI Foundation have invested more than \$68 million to organizations preserving and providing access to the outdoors.
- Millions of people and hundreds of organizations joined us in deciding to #OptOutside on Black Friday. By closing our 143 stores and paying our employees to get outside with family and friends on the most celebrated shopping day of the year, we sparked an important conversation about the transformative power of the outdoors and encouraged everyone to spend time outside. More than 175 organizations supported #OptOutside and 14 state and national parks offered discounts on Black Friday.
- Shared news of our multi-year, multi-million dollar partnership with the National Park Service and National Park Foundation to celebrate the 100th birthday of the national parks system – the largest-magnitude project we've invested in to date.
- Launched *Every Trail Connects* to invite the outdoor community to decide how to share \$500,000 with 10 inspiring trail access projects. Just 37 hours and 25 minutes after launch, 100,000 votes had been cast, and REI awarded an additional \$100,000 investment, bringing the total to \$600,000 to enhance access to trails through this specific project. This program was a new way for us to support trails and show why we believe trails are important to a life well-lived.
- Initiated change-accelerating projects in four regions. Building on *Every Trail Connects*, these are large, long-term projects set out to create innovative ways to connect people and communities to the outdoors. Our approach leverages cross-sector partnerships and collaborative strategies to speed up change.

Pictured left: REI employees regularly participate in stewardship projects to increase or maintain access to the outdoor places near our headquarters, distribution centers and retail locations. Pictured right: In 2015, more than 12,000 REI employees were given a paid day off on Black Friday to spend time outside with family and friends.

CHALLENGES

In 2015, we made major strides towards increasing our scope of influence by deepening connections among community stakeholders. We believe in the power of collective collaborative actions, and the strength of passionate organizations and individuals coming together to preserve and protect inspiring outdoor places.

As our co-op community continues to grow, we evaluate our success not only in terms of the number of places our investments have improved or increased access to, but in the depth of relationships that we've helped to build. To us, a high return on investment means building and maintaining trails, and building and maintaining meaningful connections among people and groups advocating on behalf of the outdoors.

Our mantra is that a life outdoors is a life well-lived. To keep the places we enjoy healthy and accessible, we ask ourselves what it takes to ensure we have a robust recreation infrastructure for future generations. The total combined investment to care for outdoor spaces by REI and The REI Foundation in 2015 was \$8.5 million. With governmental funding for public lands in the tens of billions of dollars annually, we must make wise decisions about how we invest in communities, people and places. We want to ensure we gain maximum leverage, despite the fact that charitable contributions are only a fraction of the total cost of sustaining and expanding outdoor opportunities.



LOOKING AHEAD

Our co-op model means that as we grow, so does our ability to create access to and steward the places we love. In 2016, we project conservatively that more than \$8 million will be invested in nonprofit partners, including investments from The REI Foundation. More than 300 organizations will benefit from our patronage, which includes our continued support of the National Park Foundation and the Outdoor Industries Women's Coalition.

We will continue to advocate for a range of national and state legislative measures aimed at sustaining current recreational opportunities and creating new ones to meet the needs of a changing population. We plan to strengthen our existing advocacy partnerships and extend them into allied fields, such as public health, transportation and environmental protection. We will continue to engage our community and convene stakeholders, much like we did in 2015 through innovative initiatives like *Every Trail Connects*, #OptOutside and our National Park Service Centennial partnership.

As we look towards the future, we will continue to dedicate our resources and efforts to protecting, maintaining and advocating for the outdoors through forging meaningful community connections with the shared goal of transforming the recreational landscape.



COMMUNITY INVESTMENTS AND PARTNERSHIPS

Since 1976, REI and The REI Foundation have invested more than \$68 million in nonprofit organizations that share our mission of creating and improving access to outdoor spaces across the United States, and increasing outdoor participation. In 2015, we invested \$8.5 million to more than 300 local, regional and national nonprofit organizations for infrastructure building, preservation and restoration projects in over 1,000 locations.

See a list of our 2015 local, regional, national and The REI Foundation grant recipients.









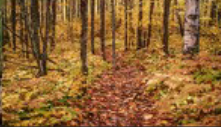

LOCAL INVESTMENTS

Our outdoor programs and outreach teams, in partnership with store managers, identify the most relevant and iconic outdoor recreation places and then determine the stellar nonprofits that are increasing access to and stewarding those areas. These are the organizations that we invite to apply for a grant. Applications are evaluated locally based upon the applicant's ability to successfully maintain and enhance diverse, accessible and popular areas where our local members play outdoors.

In 2015, we invested \$3.2 million in local nonprofits, including gear donations. The budget was allocated across all retail stores, Every Trail Connects and the legacy grants mentioned above. Launched in August, Every Trail Connects was the co-op's first interactive stewardship program that connected members and the outdoor community with the nation's network of trails. REI engaged its community to decide how to share \$500,000 with 10 passionate nonprofit partners. Each vote invested \$5 in a selected trail. After just 37 hours and 25 minutes, 100,000 votes had been cast and, to celebrate the rapid response, the co-op invested an additional \$100,000 (\$10,000 for each of the 10 trails), bringing the total to \$600,000 to enhance access to trails.

Here are additional highlights of the great work of our local nonprofit partners in 2015:

- Mississippi Park Connection (St. Paul, Minn.): REI investment will enhance paddle sports opportunities on the Mississippi River by improving a canoe and kayak landing in St. Paul on Harriet Island and establishing a canoe and kayak sharing program on the river.
- Atlanta Bicycle Coalition (Atlanta, Georgia): Our investment will support advocacy for a network of 120 city miles of high quality bikeways and trails that provide safe access for people of all ages to bike and walk.
- Evergreen Mountain Bike Alliance (Seattle, Wash.): The co-op's support will help fund stewardship work on the mountain bike trails at East Tiger Mountain Forest, Duthie Hill Park, Grand Ridge Park and Swan Creek Park.

 MASSACHUSETTS Bay Circuit Trail and Greenway \$18,400 INVESTED 3,680 VOTES	 WASHINGTON Middle Fork Snoqualmie River Trail \$58,790 INVESTED 11,758 VOTES	 COLORADO Mount Columbia Summit Trail \$75,000 INVESTED 15,000 VOTES	 NEW YORK Appalachian Trail at Bear Mountain \$66,145 INVESTED 13,229 VOTES	 GEORGIA Cumberland Island Trail Network \$56,815 INVESTED 11,363 VOTES
 CALIFORNIA Coon Creek to Bear River Trail System \$23,210 INVESTED 4,642 VOTES	 CALIFORNIA Backbone Trail \$18,600 INVESTED 3,720 VOTES	 TEXAS Violet Crown Trail \$74,215 INVESTED 14,843 VOTES	 MINNESOTA Superior Hiking Trail \$75,000 INVESTED 15,000 VOTES	 CALIFORNIA Coast to Crest Trail \$33,825 INVESTED 6,765 VOTES

Every Trail Connects

As part of Every Trail Connects, REI invested \$600,000 in 10 trails throughout the country (see image above). In Colorado, the Colorado Fourteeners will use the \$85,000 they received to kick off a four-year construction project on the Mount Columbia Summit Trail. The project will help build new and reconstruct existing trail to the summit, beginning at 11,700 feet. The Superior Hiking Trail Association in Minnesota will use their \$85,000 to construct the final six-mile segment of the trail and build several loops in the city of Duluth to improve access to outdoor recreation. Eight other trails received funding for projects ranging from improving kayak access to the Cumberland Island Trail Network in Georgia to the construction of seven miles of the Violet Crown Trail in Austin, Texas, and building and improving bridges, boardwalks and signage on the Bay Circuit Trail in Massachusetts (pictured left).

REGIONAL AND NATIONAL INVESTMENTS

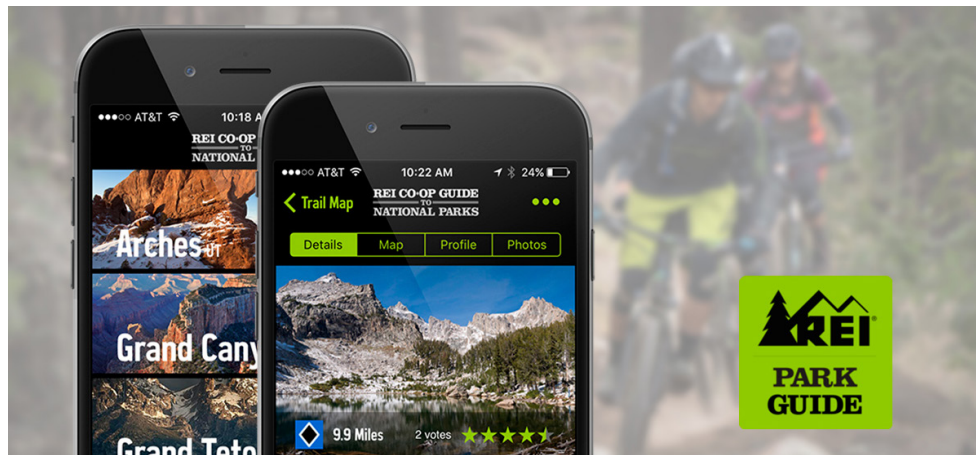
REI's regional and national grants are also by invitation only. We support stewardship, outdoor programs and advocacy efforts that align with human-powered outdoor activities, such as cycling, climbing, paddling and hiking.

In 2015, we announced a multi-year, multi-million dollar partnership with the National Park Foundation to support the 100th anniversary of the National Park Service. As the "Official Outdoor Retailer" of the centennial celebration, the co-op aims to inspire, guide and outfit people to explore these national treasures more deeply. The partnership kicked off with promotion of Find Your Park, a public awareness and education campaign, and continued with support from REI Adventures' national parks trips, which donated 10 percent of the retail price to the National Parks Foundation.

In 2016, we will continue to support the centennial celebration with the launch of the REI Co-op Guide to the National Parks, a dynamic digital trail guide to the national parks. The crowdsourced app is powered by the collective knowledge of the outdoor community and puts their shared wisdom about deeper park experiences into the hands of America's adventurers. We will also continue to support the parks via REI Adventures and REI Outdoor School, a new line of REI gear, and sponsorship of storytelling platforms such as the IMAX® film National Parks Adventures and the Mileposts podcast, produced in partnership with the creators of Dirtbag Diaries.

Another example of a national partner is the Outdoor Alliance, which unites the voices of paddlers, bikers, hikers, climbers and skiers to protect the human-powered outdoor experience. Other regional grant recipients included the Continental Divide Trail Coalition, American Whitewater and Winter Wildlands Alliance.

We also support the National Interscholastic Cycling Association (NICA), a nonprofit educational association whose mission is to develop interscholastic mountain biking programs and stewardship opportunities for student athletes across the United States, and the Access Fund, a nonprofit that works to protect and care for outdoor climbing spaces.



Annual Company Giving
Millions of USD



¹ 2006 is included to show a ten year perspective.

National Cycling Partnerships

REI's recent partnership with the National Interscholastic Cycling Association (NICA) and the International Mountain Bike Association (IMBA) supports the Teen Trail Corps initiative. The effort is aimed at equipping teenagers with the tools, knowledge and confidence to become future stewards and leaders both on and off the bike.



THE REI FOUNDATION

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

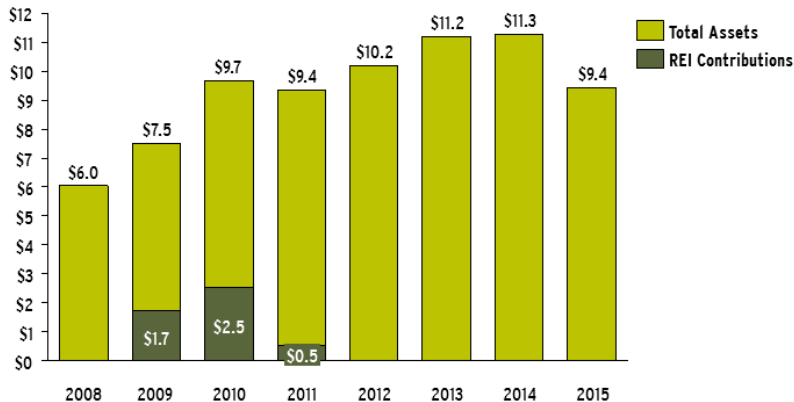
In 2015, The REI Foundation made two major financial commitments. First, the Foundation pledged \$1.5 million over five years to help grow the Outdoor Industries Women’s Coalition. In support of the centennial of the National Park Service in 2016, the Foundation made a multi-million dollar, multi-year commitment to the National Park Foundation. Those dollars are intended to underwrite stewardship projects within national park units undertaken by “next generation” stewards, as well as to support outreach to multicultural and other audiences that are typically under-represented among park visitors.

The REI Foundation also continued to support nonprofit programs dedicated to engaging the next generation in the outdoors with grant renewals, totaling \$450,000. The grant recipients included the Natural Leaders Network and YMCA of the USA.

The Foundation files a federal Form 990 disclosure each year that details expenses, grant making and other operating details. The 2014 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 Foundation researches and invites grant proposals connected to its mission; it does not accept unsolicited proposals.

The REI Foundation Total Assets & REI Contributions

Millions of USD



COMMUNITY INVOLVEMENT

REI’s investment in nonprofit partners extends beyond grants. Many of the outdoor places where people love to play across the country 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 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. In 2015, we dedicated more than \$100,000 towards disaster relief, including donations to Nepal after its earthquakes. In that case, we also encouraged our members to join and within two weeks nearly 11,000 members donated close to \$850,000 for earthquake relief.



ADVOCACY FOR THE OUTDOORS

REI engages public officials, fosters industry collaborations and establishes community partnerships with a goal of transforming the recreational landscape via public policy. We believe such advocacy is in the best interest of members, employees and society.

Our advocacy efforts are directed into two fundamental categories. First, we advocate on issues that affect public access to and the enjoyment of parks, trails, waterways and other recreational areas. Our ongoing collaboration with the Outdoor Industry Association (OIA) and its member companies is just one example of working towards our goal 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 dedicated to solidifying relationships with organizations advocating for outdoor recreation. The team relies on a full-time government affairs director, periodic engagement by senior REI staff and leaders, and policy consultancy services.

REI also belongs to trade associations that run their own government affairs programs. OIA is our primary trade association partner for advancing 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 prioritize investing in organizations that advocate on behalf of the outdoors in an effort to transform the recreational landscape in our own backyard and across the country. We regularly partner with nonprofits, coalitions and other associations in specific advocacy activities in local communities. The [Outdoor Alliance](#) and [PeopleforBikes](#) are two examples. The Outdoor Alliance represents a collaboration of leading national outdoor user groups that work to ensure access to distinct climbing, mountain biking, whitewater rafting and other non-motorized recreation opportunities. PeopleforBikes 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

The scale of REI's operations means we have the potential to bring together others with a shared interest—outdoor industry partners, policy-makers, volunteers, vendors, nonprofits and trade associations. Our goal is to catalyze stakeholder collaboration, amplify our shared voice and realize our collective potential to influence and enact change. We are poised and eager to articulate the message that the outdoor recreation industry is a top contributor to the economies in many parts of the country.

2015 was a year of innovative initiatives for the co-op. Following the enthusiastic and overwhelming engagement with Every Trail Connects, we took the opportunity to convene key stakeholders on the trails that we supported. These Trail Chats brought disparate partners together and helped to unify a network of passionate organizations and individuals. We will continue to leverage our community to drive outcomes and bring us closer to our goal of making a life outside accessible to all.

When we announced that we would be closing our doors on Black Friday and #OptOutside, we never anticipated just how many governmental, nonprofit and industry partners would courageously join us, which ultimately amounted to 14 state and national parks, and more than 175 organizations and companies. #OptOutside, which earned 1.4 million endorsements from our community, quickly gained momentum within the outdoor industry and other stakeholders that recognized the importance of spending time outside.

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 the following:

- [Public disclosure for federal policy advocacy](#)
- [Lobbying disclosure for federal policy advocacy](#)
- [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:

- [Federal campaign contributions by individuals and PACs](#)
- [Contributions to Washington state campaigns by individuals and organizations.](#)



WA Outdoor Recreation Economic Policy Advisor

In the 2014 Stewardship Report, we challenged ourselves to scale our local success with initiatives in our home state of Washington, like the Governor's Blue Ribbon Task Force on Parks and Outdoor Recreation, and widen our impact to sew alliances together at the regional and national level. Early this year, we welcomed Jon Snyder as the first ever Outdoor Recreation Economic Policy Advisor to the Governor. REI is driven to continue impacting advocacy initiatives, starting in our headquarters in Kent, Wash., and reaching much further, bringing together diverse stakeholders to speak in a larger, clearer voice for the broader community.

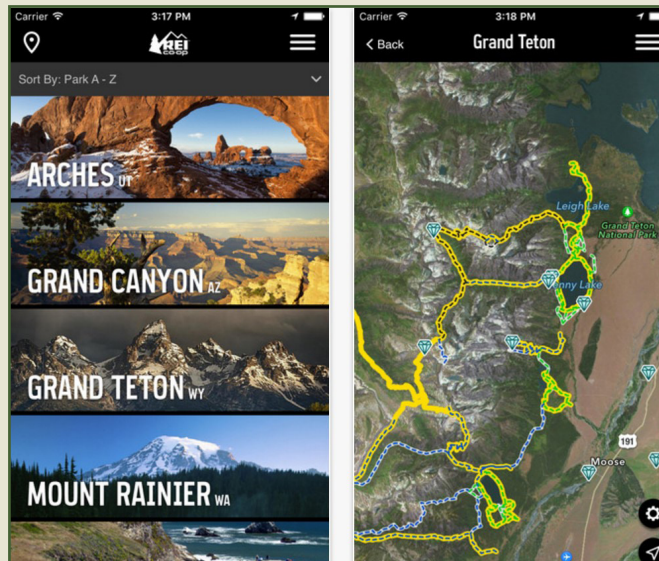
CATALYZE EXPERIENCES



OVERVIEW

Every day, we aim to open up a whole new world to people by making it easy for them to get outside and try a new activity, or to enjoy and progress in an activity they have loved for a long time. 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. We share that love by reducing barriers to getting outdoors and improving the quality of the experiences. We aim to do it in a way that's good for our members, good for the co-op and good for the environment.

This section of our report includes the highlights and challenges of our work and a look ahead at how we seek to catalyze outdoor experiences for our members. It includes subsections about REI Outdoor School, REI Adventures and other programs, events and services.



Adventure Projects Joins the Family

In 2015, REI welcomed Adventure Projects to the co-op family. Dedicated to making websites and mobile apps that help adventurers connect, share information and get outside, Adventure Projects developed the REI Co-op Guide to the National Parks—a dynamic digital trail guide to the national parks. The crowdsourced app is powered by the collective knowledge of the outdoor community and puts their shared wisdom about deeper park experiences into the hands of America's adventurers, while alleviating the strain on highly trafficked places.

The bikers, climbers, skiers, runners and hikers at Adventure Projects are the creators of Mountain Project, an app used by millions of climbers who record and share their favorite climbing routes in near-real time.

HIGHLIGHTS

- More than 1.4 million supporters, 175 organizations and companies, and hundreds of state parks joined REI in choosing to #OptOutside of Black Friday.
- Nearly 254,000 people learned a new activity or brushed up on their skills through REI Outdoor School's programs and classes in stores and local outdoor locations; an increase of more than 40 percent on 2014.
- Led over 9,800 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.
- In 2015, REI Adventures donated 10 percent of the retail price for each national park trip to the National Park Foundation, totaling \$300,000 in additional funding for the NPF. The financial support is part of the co-op's multi-year, multi-million dollar partnership with the National Park Foundation and its role as "Official Outdoor Retailer" for the National Park Centennial celebration.
- Teamed with Conservation Volunteers International Program — a non-profit 501(c)(3) organization dedicated to conserving iconic wilderness areas and cultural sites around the world — to bring members on exciting REI Adventures volunteer vacations where guests work alongside local park rangers to help protect some of our planet's most spectacular adventure travel destinations. Last year, we introduced a Great Smoky Mountains Volunteer Vacation.
- In partnership with Mountain Lodges of Peru and its affiliated nonprofit Yanapana Peru, REI Adventures gave a multi-year sustainability grant to fund an ecological restoration project to reforest nearly 250 acres of damaged Andean forest and educate the local community on sustainable farming practices.
- Serviced 180,000 bikes through our bike shops last year and nearly 100,000 skiers and snowboarders had their gear prepped for the slopes in our snow sports shops.
- Connected members and customers over 79,000 times with outdoor activities through our gear rental program.
- Partnered with American Council on Exercise to bring a deeper level of fitness to REI Outdoor School through specialized training for mountain climbing, backpacking and 5 to 10K runs.
- Designed a new set of REI Outdoor School mountain biking classes for aspiring and seasoned cyclists that includes group outings, intensive skills training sessions, in-depth workshops and an instructor certification program. Our multi-day Instructor Certification Program course is offered in partnership with the International Mountain Bicycling Association.
- Expanded REI Adventures Signature Camping offerings through the introduction of eight new adventures for solo travelers, couples, friends and families. Destinations include Arches, Canyonlands, Capitol Reef, Grand Canyon, Great Smoky Mountains, Rocky Mountain and Yosemite national parks.
- Partnered with Bike New York for the TD Five Boro Bike Tour to help 32,000 cyclists from 50 states and 40-plus countries take over the streets of NYC in May 2015. The 42-mile ride is the only event that closes streets to car traffic for the route through all five boroughs: Manhattan, Brooklyn, Queens, the Bronx and Staten Island. REI set up a pop-up shop and invited riders to help raise funds for Bike New York to support cycling outreach and education.

Photos: REI Adventures helps guests explore iconic destinations throughout the world, including hiking in Baja (above) and kayak sailing in Belize (below).



CHALLENGES

Historically, the 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. For example, the traditional way of gearing up for an infrequent outdoor activity can be costly both in dollars and in environmental impact. We recognize the need for new approaches and models that maximize outdoor engagement while minimizing the consumption of already-scarce natural resources. We are actively working on developing new approaches to keep gear in service longer and promote gear use among others to lessen the environmental impact.

At our best in an REI store, we not only outfit a member with great gear and apparel for an activity and educate them on how to use it, but also provide recommendations for where to go in their local area according to their activity, interest, skill level and time. While we have a strong digital business, we're still working on providing that same level of expertise and guidance online. The [REI Co-Op Guide to National Parks app](#) is the first part of an ongoing answer to this challenge.

Gear rental is a great way to encourage people to try new activities and minimize the cost to the customer and to the environment. In some stores we had the wrong rental assortment that resulted in low rental usage. We discontinued gear rentals in those stores and shifted our focus to stores with greater usage. We continue to think broadly and creatively about how best to connect our members to gear when and where they need it.

To provide outdoor recreation and education opportunities, like REI Outdoor School and REI Adventures programs, businesses and organizations need access to public lands. Unfortunately, the current system for managing access is 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 a broad alliance to establish the [Outdoor Access Working Group \(OAWG\)](#). The OAWG includes outfitters and guides, nonprofits, conservation groups, advocacy and volunteer groups, outdoor industry companies, colleges and universities, metropolitan outdoor programs, military programs, therapeutic programs, conservation groups, and more. We are working together with government agencies and local communities to streamline and create transparency in the permitting process, increase access, build stronger partnerships and create solutions for facilitated access for the public.

LOOKING AHEAD

Uncertainty in knowing where to go in the outdoors can hinder a member who moves to a new state or starts a new activity. We're forming meaningful collaborations that are reducing some of these barriers. In 2015, we welcomed Adventure Projects into the REI family – a network of crowdsourced information that provides trail information and user forums. These web-based platforms and free apps are helping us connect more people to new outdoor experiences. We most recently released the [REI Co-op Guide to the National Parks](#) in early 2016. Our vision with this app is to feature insight about every national park and other park properties, including monuments and sea shores.

Another barrier is getting gear when and where you need it. Many outdoor lovers have great gear, but some of it might not be used frequently. We want to find ways to connect people and their gear to others in our community to help increase the use of that gear, and reduce its cost and environmental impact. One new way we increased access to gear in 2015 was the [Thingamajig Used Gear Swap](#) in Washington, D.C. (details on following page).

We'll look for new ways to extend REI Outdoor School into local communities with new activities like our Washington, D.C. group runs and classes on training to climb a 14er in Colorado. We recently announced a two-year partnership with the [Ragnar Trail Series](#) presented by Salomon, an overnight trail-running race held in 19 scenic venues around the country. REI stores are offering custom 12-week training programs at select locations and the co-op's [Trail Run Project app](#) provides recommended local trails in each host city for training.



ENGAGING OUR COMMUNITY

#OPTOUTSIDE

On Black Friday in 2015, REI chose to do something different. We decided to #OptOutside on the most celebrated shopping day of the year, closing our 143 stores, blacking out our website and paying all 12,000 employees to get outside with friends and family. #OptOutside reminded people of the transformative power of the outdoors and offered another option for how to spend the day with family and friends. The movement gained momentum as more than 1.4 million people supported #OptOutside, and 175 organizations and companies joined us as well, including hundreds of state parks offering discounts and incentives.

THINGAMAJIG USED GEAR SWAP IN D.C.

In 2015, REI announced the new Flagship store in the historic Uline Arena in Washington, D.C., which will open in fall 2016. In October, we hosted a gear swap at a community space across the street from our future store, bringing outdoor lovers together to buy, sell and trade outdoor recreation items. A portion of all proceeds from the entry price directly supported Living Classrooms, a local organization committed to strengthening communities and empowering young people to achieve their potential through hands-on education and job training. Neighbors and friends celebrated the opportunity to dance, drink, give new life to used gear and score some treasures, all while supporting environmental education programs for Washington, D.C. public school students.

ANDERSON TRADING POST

The Anderson Trading Post (ATP) is REI's newest pop-up shop that launched at two Northwest music and camping festivals in July: Timber Music Festival outside of Seattle, Wash., and Pickathon Music and Arts Festival outside of Portland, Ore. The ATP is a 20x20-foot canvas wall tent with a wood platform floor that evokes early pioneer times with its simple design and materials. Filled with evrgm, REI and other products, the shop provided festival-goers with an on-site location for forgotten necessities.

REI CAMPOUTS

In 2015, we introduced more people into the outdoors by hosting 16 REI Campouts with nearly 900 members. In addition to camping, these weekend events included educational and guided activities such as hikes and stand-up paddleboard tours. Evening entertainment included campfire musicians, sing-a-longs and storytellers. Fourteen of the 16 campouts sold out within two weeks. We look forward to hosting nearly 40 campouts across the country in 2016.

REI CO-OP GUIDE TO THE NATIONAL PARKS

To kick-off the centennial year of the National Park Service, the co-op unveiled a new, dynamic digital trail guide to the national parks, inviting lovers of the outdoors to share their expertise. The crowdsourced app, called the REI Co-op Guide to the National Parks, is powered by the collective knowledge of the outdoor community and puts their shared wisdom about deeper park experiences into the hands of America's adventurers.

The tool was developed by Adventure Projects – the creators of Mountain Project, an app used by millions of climbers who record and share their favorite climbing routes in near-real time. The four other apps from Adventures Projects include Hiking, Mountain Biking, Trail Running and Wintersports.



REI PROGRAMS AND SERVICES

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 with the knowledge to safely and enjoyably get outside through a wide range of free or low cost classes for activities like cycling, hiking, climbing and much more, and remained the country's largest provider of wilderness medicine courses. Ultimately, we educated nearly 254,000 people through REI's outdoor recreation programs, either in store or with our field-based classes, outings and tours, representing growth of over 40 percent from 2014.

REI VILLAGE

In 2015, we continued the journey to build deeper relationships with our members and local communities through a highly branded traveling experience called The REI Village. The REI Village tour showed up at two national parks and spots known for outdoor activities or group recreation such as paddling, cycling and running events, concerts, coastal cleanup projects, and more. Activities were tailored to each event and ranged from free giveaways to tune-ups with our bike tech station. National Park Service Rangers joined us at events to share the excitement of the NPS Centennial and to help people learn more about the parks. 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. The REI Village tour will continue into 2016, redesigned to help REI members find the hidden gems in the national parks.



REI ADVENTURES

Planning all the details for an iconic adventure, particularly an international one, 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 2015, REI Adventures led nearly 9,900 members on trips in more than 40 countries across all seven continents. We offer more than 50 trips to national parks. Through our involvement in the National Park Centennial celebration we will donate 10 percent of the retail price to the National Park Foundation for trips purchased in 2015 and 2016.

SHOP SERVICES

Keeping gear functioning in top shape improves outdoor experiences and minimizes financial costs and overall environmental impact. To help support our members and their gear, we have bicycle service centers staffed with 196 master technicians in 142 of our 143 stores. In our bike shops last year, over 180,000 cyclists got their bikes tuned up, repaired or overhauled, and ready for the road or trail. Nearly 100,000 skiers and snowboarders had their gear prepped for the slopes in our snow sports 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. In 2015, we connected members and customers over 79,000 times with outdoor activities through our gear rental program.

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 that product back and, via our famous Garage Sales, ensure that lightly-used returned products stay out of landfills and deliver awesome value to other members. In 2015, REI members scored great deals on nearly a million pieces of gently used gear.

CORE PRACTICES



OVERVIEW

REI connects people with the outdoors, so the co-op's health depends on the environment's health. That's why we say that our worldview is that "success demands changing how natural resources are used." That is a tough challenge; one with no endpoint. It's a constant effort to progress and do more with less, to minimize negative impact and to maximize positive impact. That's why we are mindful in all our business activities, striving to do the right thing and to live up to our members' expectations. The real test, however, is not what you do when people are looking. It's what you do when they aren't – hence our emphasis on transparency. That's how we hold ourselves accountable and stay true to the outdoor community.

This section details our efforts to continue building sustainability into our day-to-day business through our core practices. It includes highlights, challenges and a forward-look at our business operations and workplace. We measure and report on our environmental impact from our business operations in the following areas: energy use, greenhouse gas (GHG) emissions, paper use and waste. We also report on our people, our workplace and our methodologies.



Industry Leadership and Recognition

At REI, we're proud of our business and the people that make it happen. Staying true to our mission and values has earned us industry recognition and awards for our commitment to sustainability and our work fostering a healthy and balanced workplace for employees.

In 2014, the U.S Environmental Protection Agency named us a Green Power Leader, honoring our leadership in supporting renewable power. More recently, the Appalachian Trail Conservancy presented us with their Corporate Leader Award for our dedication to inspiring, educating, and outfitting for a lifetime of outdoor adventure and stewardship. REI was ranked the 12th Best Workplace in Retail by Fortune and a 'Great Place to Work' in 2015 for our profit-sharing plan, free and discounted Outdoor School classes, and paid sabbaticals. Glassdoor named us #2 on their list of Top 20 Employer Benefits and Perks for our twice yearly employee Yay Days.

HIGHLIGHTS

- Absolute energy use was down slightly from 2014, while we added stores and grew our footprint. Our total energy use has grown only 4.2 percent since 2008 while our sales have grown 68.4 percent.
- Use of preferred paper (post-consumer recycled fiber and third-party certified fiber) was 82 percent of our total paper footprint, up from 70.8 percent in 2014.
- Installed a Level 3 electrical vehicle fast-charging station at our store in Salt Lake City, Utah as a pilot to support other EV infrastructure.
- Gave all of our employees the day off to #OptOutside on Black Friday, marking the third day of the year we paid employees to play outdoors.
- Co-created Outdoor Industries Women's Coalition pledge to accelerate women's leadership in their companies, helping to recruit more than 30 CEOs from across the industry to join this major initiative to spark innovation and mentor women entrepreneurs, supported by a \$1.5 million seed grant from The REI Foundation.
- Recognized by FORTUNE as one of the 100 Best Companies to Work For, marking the 18th consecutive year that the co-op has received the honor.
- Participation rate of 80 percent for our annual employee survey, showing that 86 percent of our employees are engaged, and 90 percent of our employees are optimistic, proud and understand our co-op's purpose.



CHALLENGES

Our business operations include everything from how we move product to how our employees commute, and how we operate our stores and facilities. Each of our important stakeholders—our members, employees, vendor partners and nonprofit partners—has expectations for how REI should prioritize its efforts in these areas. We prioritize by focusing on the things that matter most and have the greatest potential impact, while staying true to our values.

Several of our environmental impact metrics increased (in absolute numbers) between 2014 and 2015. REI's total waste across all operations in 2015 was 3,942 tons, an increase of 136 tons from 2014. This 3.6 percent growth is due to the over-servicing of new stores (about 50 tons of over-serviced waste) and business growth. Correcting this over-servicing will slow our waste growth in 2016. Construction waste decreased by 41.1 tons in 2015. The rate of growth for both metrics was similar to - or lower than - the rate of growth for our company (9.2 percent sales growth from 2014 to 2015). This indicates 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 (CO₂) was mitigated in previous years through our efficiency work across our operations, including transportation of product and people, and energy efficiency. Our commitment to renewable energy zeroes out our climate impact from electricity, which is good for the environment, but eliminates one of our key levers to further reduce our CO₂ footprint. We continue to focus on increasing carbon efficiency in our operations, especially in areas where we expect future impacts to grow as our business grows.

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



LOOKING AHEAD

We must run a strong business—for our members, for our employees, and so that we can advocate for the outdoor community far into the future. Core practices are the foundation on which we build. From a sustainability perspective, we are establishing commitments that will allow us to focus on clear targets, such as our commitment to 100 percent green power. As we manage and reduce our carbon footprint, our efforts will include continued efficiencies in our logistics and energy use. Enhanced support for employee alternative commuting is another opportunity.

Our employees are at the center of our co-op, helping it thrive through local connections to the outdoor community. It's imperative that we foster an environment where employees can thrive, feel trusted and can have fun sharing their outdoor life with others. Every year, we look to refine what we offer employees—pay, benefits, challenging work and more—to make sure it meets their needs and helps them feel like a part of something bigger.

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, Wash. 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.

GOODYEAR DISTRIBUTION CENTER

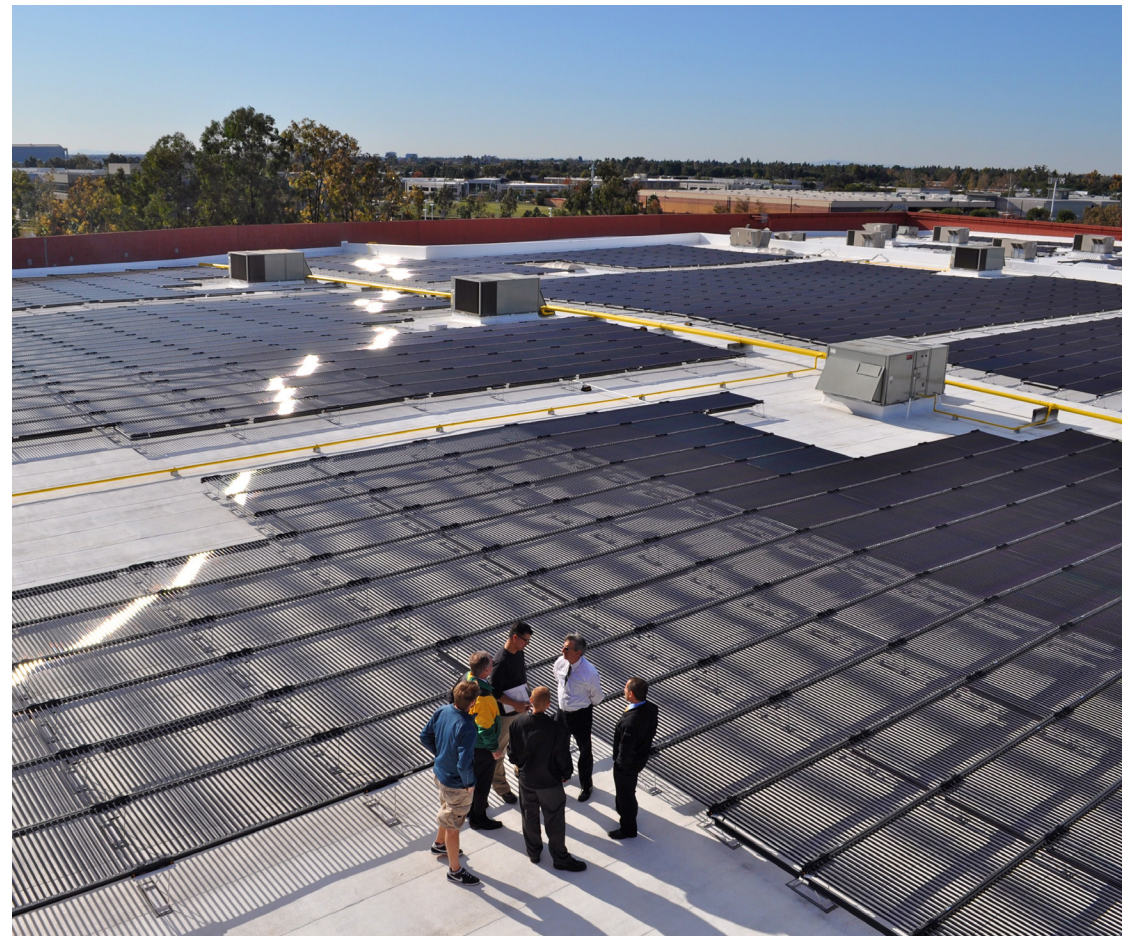
In July 2016, REI will open a distribution center in Goodyear, Ariz.—our third facility. Staying true to the co-op's values, the facility is being designed and constructed with sustainability in mind. The building will be designed using the U.S. Green Building Council's LEED (Leadership in Energy and Environmental Design) standards, with an additional goal to focus on energy consumption in the building, reduce energy costs and provide a more comfortable working environment for employees.

NEW CO-OP LOCATIONS

The co-op will open six new stores and relocate one store in 2016, including our fifth flagship store at the historic Uline Arena in Washington, D.C., where we will continue our green building commitment by pursuing LEED certification. The additional five new co-op locations include Virginia Beach, Va., Fort Worth, Texas, Cleveland, Ohio, King of Prussia, Pa., and Rochester, NY. The Redmond, Wash., store will be relocated to Bellevue.

CONTINUING ADVOCACY ON CLIMATE CHANGE

As we grow, our more than six million REI members expect the co-op to play a larger role in the effort to make renewable energy more available and affordable. We recognize the effects of climate change and we're taking action on behalf of our members. We're one of more 100 Washington businesses that signed the Washington Business Climate Declaration, calling for strong action on climate change in our home state to protect our growing economy and the outdoor places people enjoy. REI partnered with Climate Counts Industry Innovators to address global climate change and gain a better understanding of what motivates consumers and the marketplace to view climate change as a chance to improve the retail environment. We engage in the right conversations where it matters most and will continue to do what's right for our members, our environment, our business and the outdoor community.



OPERATIONS

ENERGY

Sustainable energy use is part of protecting the outdoors. 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
- If needed, 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 100 percent 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.

RENEWABLE ENERGY BUYERS GROUP

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). In 2015, we continued our partnership to urge energy suppliers to offer more renewable energy and to encourage more renewable purchasing options.

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 143 retail stores, headquarters, and our two distribution centers. We are pursuing LEED for our third distribution center in Goodyear, Ariz. (about 400,000 square feet) and our Washington, D.C. Flagship (just over 50,000 square feet).

SOLAR

With the use of solar electricity systems, we're generating our own power at 26 REI locations, including our store in Tustin, Calif. that generates nearly as much electricity as it uses. That includes 25 stores and one distribution center, with our first installations starting in 2008.

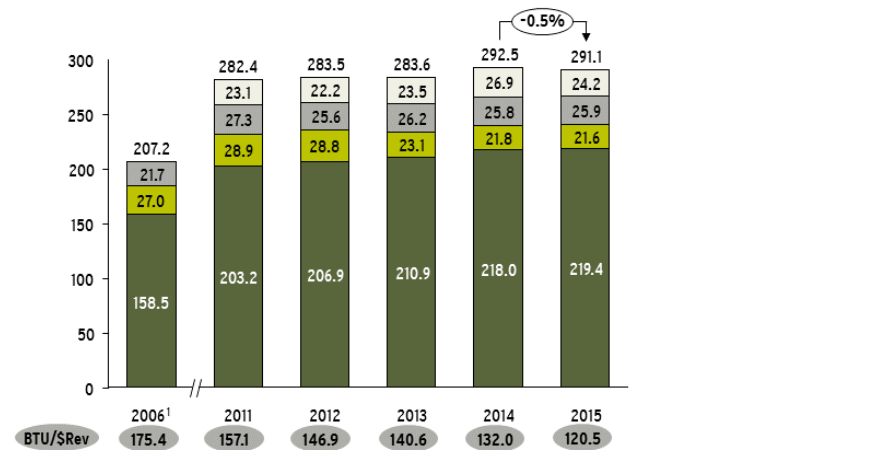
GREEN POWER CONTRACTS

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. We actively look for long-term Power Purchase Agreements (PPAs) that meet our financial and environmental criteria.



Energy Usage

Billions of BTUs



¹ 2006 is included to show a ten year perspective, and is our baseline year for energy accounting.

ENERGY USE

Electricity: 0 percent of total operational GHG footprint

Natural Gas: 7 percent of total operational GHG footprint

Our absolute energy use decreased by 0.5 percent from 2014 to 2015, balancing efficiency gains with the addition of five new stores. 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 65,000 MWh of environmental benefits of wind power by buying Green-e certified Renewable Energy Certificates. Because of our renewable energy sourcing in 2015, the CO2 impact of our electricity consumption was zero. Our use of natural gas increased in line with our facility growth.

EMPLOYEE COMMUTING

34.7 percent of total operational GHG footprint

REI's employee commuting was the largest single source of emissions at REI in 2015 and remains our biggest challenge to reducing the co-op's GHG footprint. Last year, greenhouse gas emissions from employee commuting increased by 11.9 percent from 2014. 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 barriers to alternative commuting, including the discrepancy 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, more productive 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 actively and persistently search for new ways to shift the balance away from single occupancy commuting and toward more efficient alternatives.

PRODUCT TRANSPORTATION

29.1 percent of total operational GHG footprint

Product transportation accounted for 29.1 percent of our operational GHG emissions, similar in relative terms to prior years but a higher absolute number as product transportation CO2 increased by 2.7 percent from 2014 to 2015. This increase is in line with sales growth. Our logistics team continues to work to minimize air freight and increase opportunities to consolidate freight.

DIRECT FULFILLMENT

13.3 percent of total operational GHG footprint

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

REI ADVENTURES

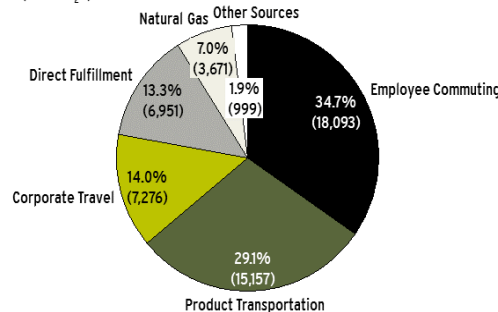
48.8 percent of total GHG footprint

Our REI Adventures climate impact was 0.7 percent higher than in 2014, due to an increase in the number of travelers on REI Adventures trips. Air travel is over 90 percent of the climate impact of REI Adventures. We recognize that while our travel programs are designed to minimize our footprint as much as possible, traveling inevitably comes with environmental impacts. Our in-country focus on more sustainable practices and human-powered (low-carbon) recreation is an organizing focus of our travelers' experience.

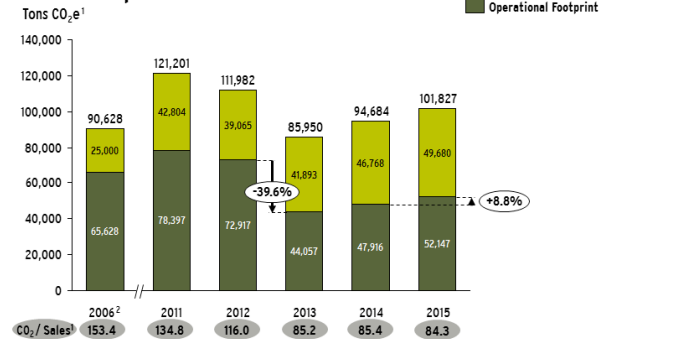


2015 Operational Greenhouse Gas Emissions

Percent of total (Tons CO₂e)



Carbon Footprint



¹ Pounds of CO₂ per thousand dollars revenue

² 2006 is included to show a ten year perspective, and is our baseline year for carbon accounting.

PAPER

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 outside, sustainable forestry is a natural focus for us. Part of our approach is the responsible use of resources and leveraging our purchasing power to help motivate sustainable practices within our supply chain. We are also committed to mitigating negative environmental impacts from the harvest and processing of paper products that we purchase. REI fully supports 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.

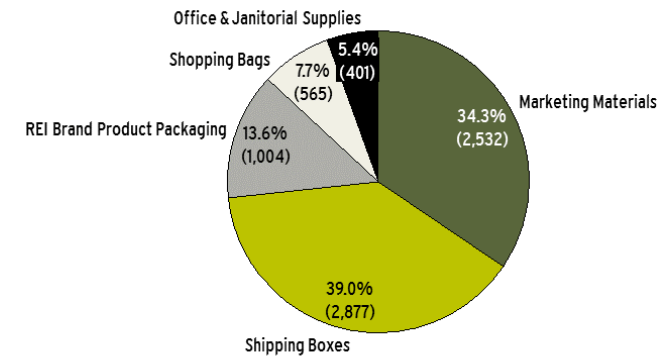
REI's paper and paper products purchasing policy creates several outcomes. By adhering to the policy, we reduce our environmental footprint, make our paper supply chain visible and align our purchasing decisions with our values and aspirations. Whenever possible we purchase paper products manufactured 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, but see strong opportunities to pursue in 2016.

Overall, our paper use decreased from 7,771 tons in 2014 to 7,379 tons in 2015. This decrease is due to reducing the quantity of marketing materials we sent as direct mail. Other categories of paper use—cardboard boxes, janitorial supplies, etc.—increased as expected with business growth. 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 82 percent of our total paper footprint, up from 70.8 percent in 2014. 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.

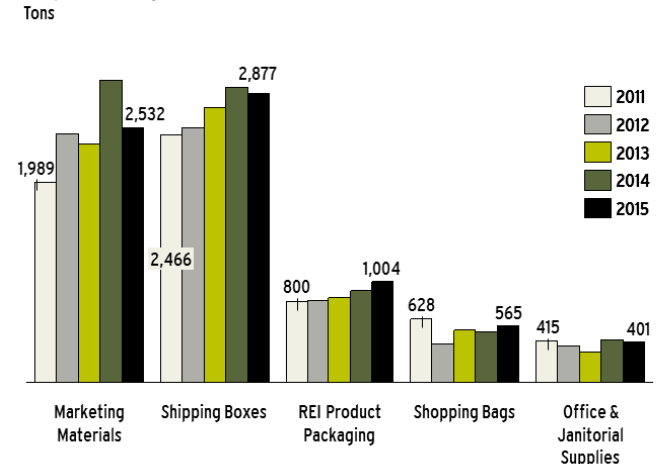
2015 Estimated Paper Usage
Percent of total (Tons)



Sources of Fiber										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Unknown & Undesirable	21.6%	17.1%	14.9%	12.8%	19.0%	22.3%	22.1%	22.6%	11.4%	5.9%
Acceptable	52.8%	50.0%	39.0%	36.5%	11.0%	12.1%	10.5%	11.2%	17.8%	12.0%
Recycled	25.6%	21.2%	27.1%	23.4%	30.1%	39.2%	32.1%	35.7%	36.2%	41.7%
Certified	0.0%	11.7%	19.0%	27.3%	39.9%	26.4%	35.3%	30.5%	34.6%	40.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Paper Efficiency Table										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Annual Sales (MM\$)	\$1,182	\$1,342	\$1,435	\$1,455	\$1,659	\$1,792	\$1,931	\$2,017	\$2,217	\$2,423
Total Paper (Tons)	6,491	7,577	7,969	6,940	6,523	6,298	6,549	6,768	7,771	7,379
Total Paper Efficiency (MM Sales \$ / Tons)	0.182	0.175	0.180	0.210	0.254	0.285	0.295	0.298	0.285	0.328
Total Virgin Fiber (Tons)	4,828	5,974	5,806	5,314	4,560	3,827	4,091	4,354	4,955	4,302
Virgin Fiber Efficiency (MM Sales \$ / Tons)	0.245	0.225	0.247	0.274	0.364	0.468	0.472	0.463	0.447	0.563
Marketing Materials (Tons)	3,785	4,744	4,771	3,626	3,254	1,957	2,450	2,369	2,994	2,532
Marketing Efficiency (MM Sales \$ / Tons)	0.310	0.283	0.301	0.401	0.510	0.916	0.788	0.851	0.741	0.957

Paper Usage



WASTE

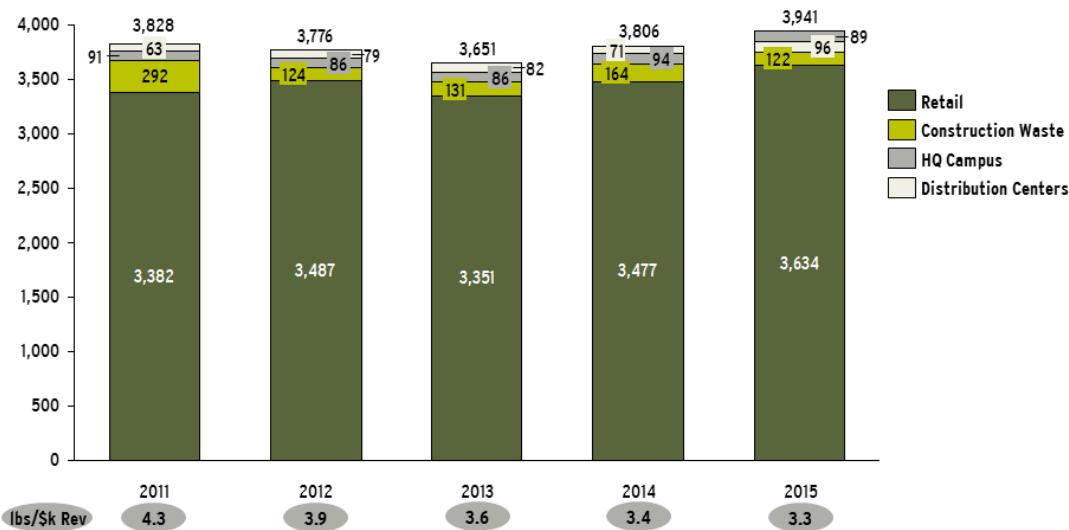
Minimizing our waste contributions requires steady innovation and a commitment by teams across our company. Our progress is also linked to our product sustainability efforts and involvement with the Outdoor Industry Association’s packaging guidelines that are part of the Sustainable Apparel Coalition’s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

REI’s total waste across all operations in 2015 was 3,942 tons, an increase of 136 tons from 2014. This 3.6 percent growth is largely due to the over servicing of new stores. Correcting this will slow our waste growth in 2016. Construction waste decreased by 41.1 tons in 2015.

Our distribution centers continue to divert the majority of their operational waste away from landfills and both distribution centers are above a 99 percent diversion rate from landfill. Our Bedford, Penn., facility produced 18 tons of waste in 2015, ten tons less than in 2014. Waste at our Sumner, Wash., distribution center increased from 43 tons in 2014 to 78 tons in 2015, driven by increases in product volume and more waste service for our bike assembly facility.

Waste Stream

Tons to landfill

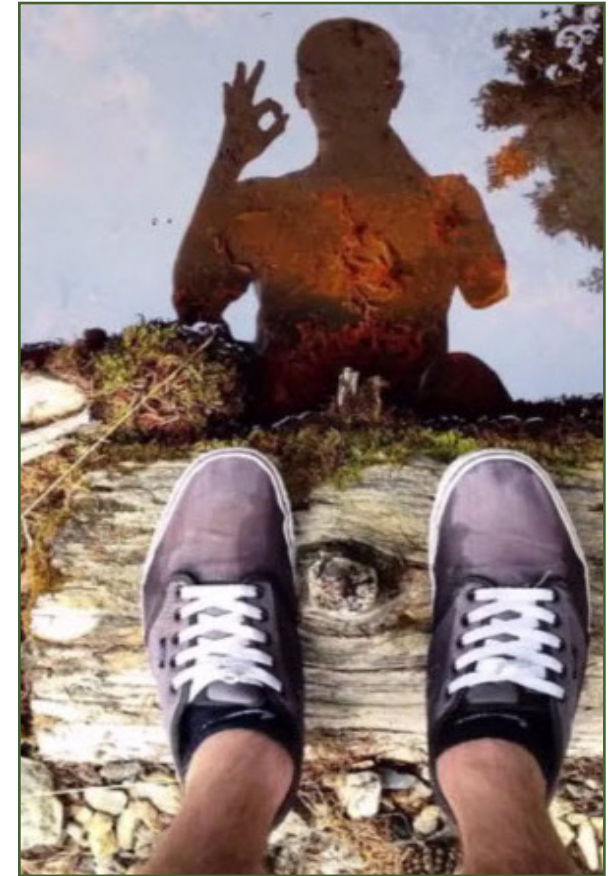


WORKPLACE

At REI, we believe that an outdoor life is a life well-lived. Every day, more than 12,000 REI employees are focused on getting people into the outdoors and more connected with nature. 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" in 2015 for the 18th year 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.



Employees Get Outside and Play with Yay Days!

Nobody loves the outdoors more than REI employees. With Yay Days, all REI employees get paid time to go outside and play. Every employee gets two Yay Days a year—each one a chance to try something new, challenge themselves in a favorite activity, or work on an outdoor stewardship project. Yay Days help REI employees reconnect with the outdoors and prepare them to deliver great knowledge and service to customers, doing everything from building trails to running marathons.

EMPLOYEE ENGAGEMENT AND RETENTION

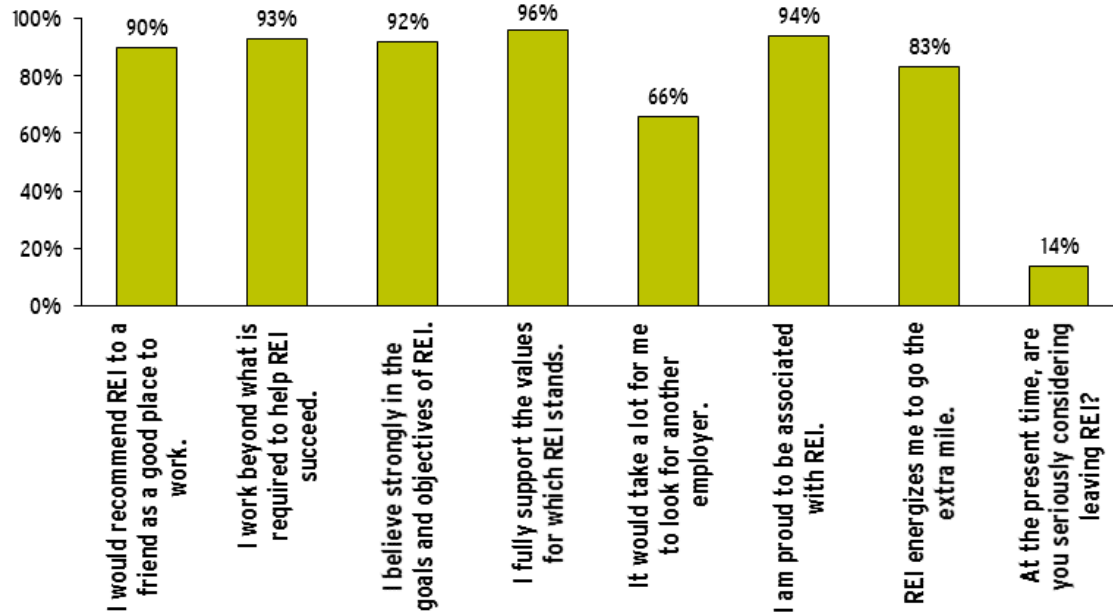
REI's roots as a co-op make us a unique workplace. When employees feel connected to our core purpose, they stay engaged in our business and authentically represent REI every day to our members, customers and communities.

EMPLOYEE ENGAGEMENT SURVEY

We measured employee engagement levels in 2015 through our annual anonymous survey made available to every employee. 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.

Historically, REI has had an impressive employee survey participation rate and 2015's response rate was strong at 80 percent. Overall survey results showed that 86 percent of our employees are engaged. This engagement rate is calculated by looking at the favorability rating in eight key areas that make up our employee engagement index, shown below:

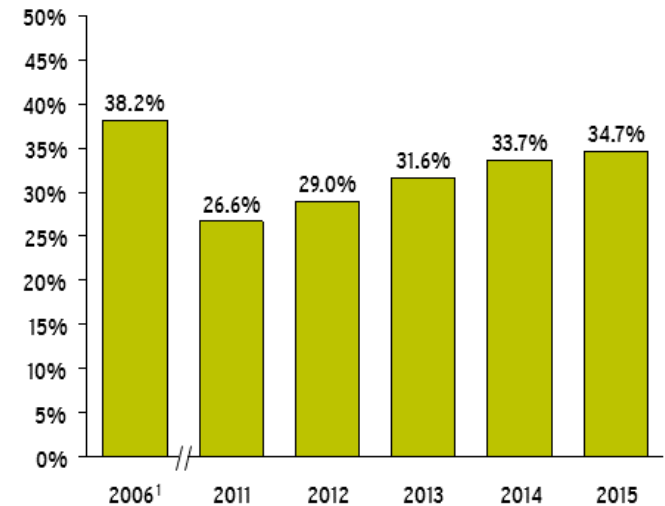
2015 Employee Engagement Index (Total Favorable)



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 2015, REI's overall turnover was 34.7 percent, a slight increase from 2014, but still low compared to the retail industry standard – almost half that of equivalent businesses.

Overall Company Turnover Percent



¹ 2006 is included to show a ten year perspective.

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:

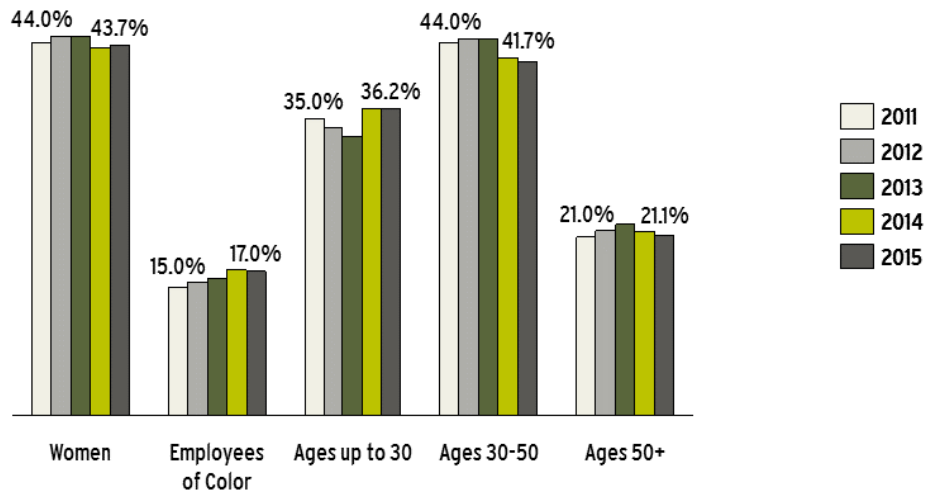
REI is dedicated to providing an inclusive and relevant environment for its members, customers and employees.

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 score of 95 on the Human Rights Campaign's (HRC) Corporate Equality Index. Additionally, we remain a corporate sponsor of the HRC's annual fundraising event in our hometown, Seattle.



SUPPORTING WOMEN IN LEADERSHIP

Together, REI CEO and President Jerry Stritzke and the Outdoor Industry Women's Coalition (OIWC) are taking a stand and leading an effort to advance women's leadership, entrepreneurship and innovation in the outdoor industry. Jerry was the first to sign the public OIWC CEO Pledge, a collective commitment from industry leaders to ensure women have opportunities to lead and that diverse perspectives are heard. Companies that sign the CEO Pledge promise to ensure that gender-diversity is a strategic and visible priority, develop recruiting practices that attract and retain top-tier talent, and exchange ideas and best practices to accelerate industry innovation.

At the start of 2015, REI announced a \$1.5 million grant from The REI Foundation in honor of REI's first woman entrepreneur and co-founder Mary Anderson. The Mary Anderson Legacy Grant from The REI Foundation is being used to:

- Fund valuable research, tools, best practices and resources to better serve women leaders
- Offer match funding to companies that join the OIWC or elevate their level of membership
- Launch an initiative that aims to change the traditional model of leadership by connecting women entrepreneurs to some of our industry's most experienced leaders

This commitment is also reflected within the Board of Directors and divisional leadership team at REI. Women make up 42 percent of REI's Board of Directors—led by Cheryl Scott—and 38 percent of the co-op's corporate officers are female.



MULTICULTURAL BRAND 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, capacity building for network leaders, inclusion in REI marketing campaigns and content exchanges. Leaning on REI's outdoor recreation skills, we have worked with our partners to implement new tools and resources into their day-to-day operations. In 2015, our partners participated in more than 75 REI events across the country.

To highlight the rich history our national parks, REI once again sponsored the Find Your Park Expedition (#FYPx) led by the National Park Foundation. This expedition, formerly known as the American Latino Heritage Fund, was expanded to capture a broader multicultural audience. The expedition was launched at REI where eight online influencers and social media superstars were outfitted with gear and apparel for their adventures to Mesa Verde and Great Sand Dunes national parks. Participants shared all of their adventures online so that their friends, family and fans could follow along and experience these national treasures.

In 2015, we welcomed 52 Hike Challenge and Black Girls Do Bike into the partnership fold. They join Outdoor Afro, Black Girls Run, National Brotherhood of Skiers, The National Park Foundation and Latino Outdoors as national 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.

OUR COMPENSATION PHILOSOPHY

REI is committed to recognizing and rewarding our employees with a total rewards package that includes competitive base pay, incentives and comprehensive benefits, generous employee discounts and other perks, as well as programs that support good health and work/life balance.

Our cash-compensation package includes competitive wages and an above market incentive plan. We believe that all employees should share in the rewards of total company performance and all regular REI employees—full- and part-time—are eligible for the annual incentive plan.

YAY DAYS AND #OPTOUTSIDE

Our sustainability efforts extend into the REI workplace, where more than 12,000 employees are focused on getting as many people in the outdoors as possible. 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.

In 2015, we added a third paid day off for all employees to enjoy the outdoors, shutting our doors on Black Friday and encouraging our family and friends to #OptOutside. There were nearly 25,000 social posts from employees as they shared their outdoor adventures that day.

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 2016, eligible employees shared an incentive plan payout of \$44 million based upon REI's performance in 2015.

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 2016, REI funded \$26.2 million in contributions based on the company's performance in 2015. Eligible employees received the 5 percent company retirement contribution and an additional 5 percent profit-sharing contribution, for a total contribution of 10 percent of eligible 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 2016, we allowed employees to defer up to 75 percent of their incentive payout into the plan.



METHODOLOGY

This report covers REI's 2015 fiscal year and is our 10th annual consecutive report (since 2006). The methodology section details our Greenhouse Gas Methodology, Paper Policy and Definitions, and Waste Methodology.

We report on all of our United States-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.

GREENHOUSE GAS METHODOLOGY

REI's estimated greenhouse gas 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.

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 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) 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.

Scope 1: Direct Emissions

9 percent of REI's 2015 impact (4,670 tons CO₂e):

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

The only significant non-CO₂ 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.

Scope 2: Indirect Emissions from Electricity

Because of our renewable energy sourcing (including RECs) in 2015, the CO₂ impact of our electricity consumption was zero, per WRI's Scope 2 methodology

- Electricity usage

Scope 3: Other Indirect Emissions

91 percent of REI's 2015 impact (47,477 tons CO₂e):

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

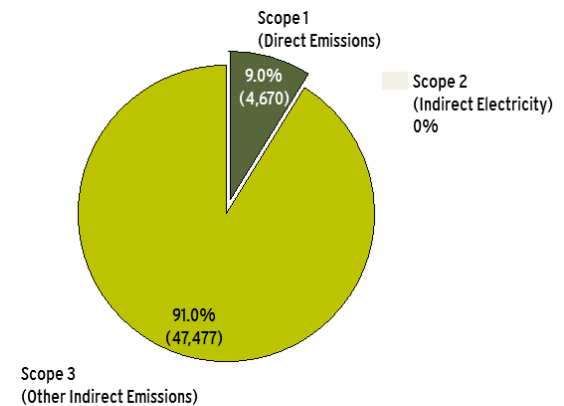
ENERGY USE (CLIMATE IMPACT)

We measure energy consumed through 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 CO₂ using standard conversion factors. Electricity we buy from utilities is converted to CO₂ by using the latest EPA eGrid emissions factors at the sub-region level.

2015 Operational Carbon Footprint (WRI Guidelines)

Percent (Tons CO₂e)



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 to/from our distribution centers to our stores, and between stores); 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.



MOVING PEOPLE

CORPORATE TRAVEL AND 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 CO₂ 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 CO₂ factors so that we can more accurately measure our impact and also shift our business to the most efficient carriers.

For rental cars, to calculate CO₂ 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.

MISCELLANEOUS GREENHOUSE GAS EMISSIONS

A portion of REI's climate footprint comes from small 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.

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.

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.

