## **CORPORATE SOCIAL RESPONSIBILITY** REPORT 2018



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## **"IT'S NOT ABOUT THE NEXT 5 YEARS. IT'S ABOUT THE NEXT 50 YEARS. IT'S ABOUT 5 GENERATIONS FROM NOW."**

Steve permant

**STEVE PERRAULT** | 5TH GENERATION HOP GROWER | PERRAULT FARMS

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Our company mission of connecting family hop farms in the Pacific Northwest with the world's finest brewers is only sustainable if we collectively work to strengthen our communities. We believe we are on the right path.

For multiple generations, our growers have been strong environmental stewards of the land; they know the only way they'll be able to pass on their farms to future generations is to nurture and protect the land against degradation. They also have an acute awareness that they have a responsibility to their neighbors and the communities surrounding them to help preserve shared resources such as water and air.

Our company knows the only way it will continue to grow is by welcoming a diversity of talent into our organization and by providing above average training, development and advancement opportunities to our workforce. The company recognizes it has a responsibility to help insure our growers and their families are sufficiently rewarded for their hard work. The company also strives to strengthen the communities in which we live through supporting other local businesses, volunteer work, financial donations and educational outreach.

In addition to our efforts, our brewery customers are actively involved with their local communities in multiple ways. YCH has worked with them when natural disasters struck the US by donating hops to help raise funds for the local community and by expanding workplace awareness and providing scholarship funds via collaborative work with organizations.

We're proud of what we've collectively accomplished to support socially responsible actions, however, more can be done and we pledge to continue those efforts. The following pages highlight some of the work we've accomplished and some specific aspects we focus on as an organization. A full GRI report will be completed and released in the first quarter of 2019.

Thank you for taking time to review this report; we welcome your feedback and suggestions so please reach out to us with your input.

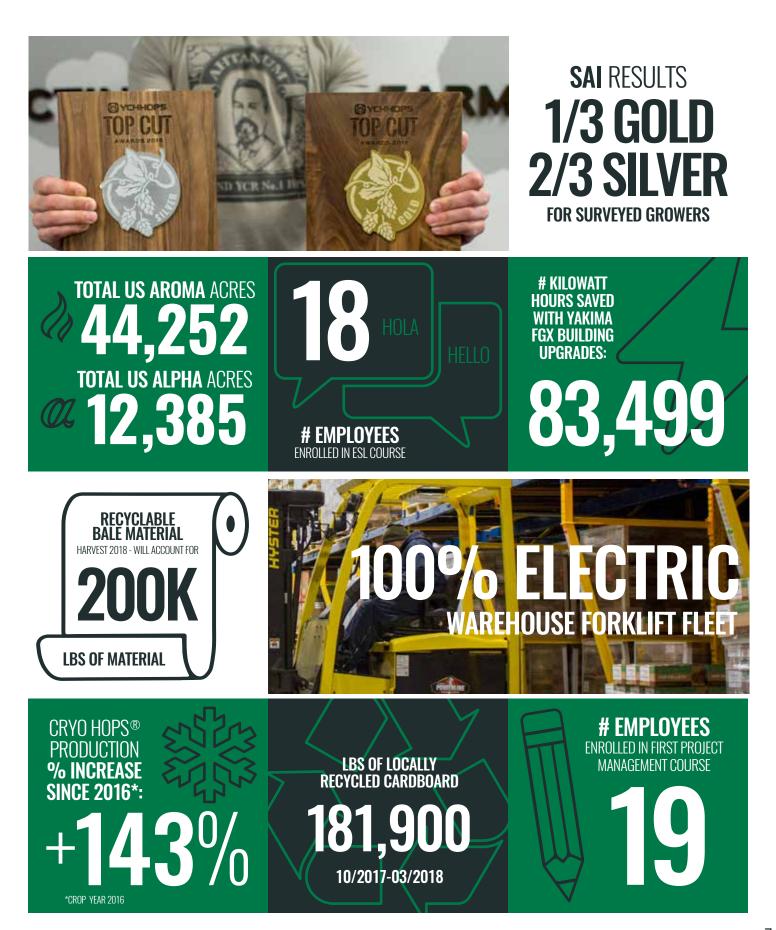
Best Regards,

Mike Goeff

MIKE GOETTL | CEO | YCH HOPS

## **YCH SNAPSHOT** 2017





# SUPPLY CHAIN



% HOPS RECEIVED MET OR EXCEEDED YCH'S STRICT QUALITY REQUIREMENTS

9/0/0

# OF PINTS OF IPA THAT COULD BE Brewed from the amount of hops ych produced in 2017:







AS A GROWER-OWNED COMPANY, WE ARE AN EXTENSION OF OUR SUPPLIER NETWORK. THEIR SUCCESS ON THE FARM CARRIES OVER TO OUR SUCCESS IN OPERATIONS AND THE MARKET. WE BELIEVE THAT EVERY INVESTMENT IN OUR SUPPLY CHAIN IS A PROMISE TO BUILD OUR SHARED FUTURE.

## "WE HAVE FOUND THAT REDUCING OUR CARBON FOOTPRINT IS NOT ONLY GOOD FOR THE PLANET, BUT ACTUALLY ENHANCES OUR BOTTOM LINE." STEVE CARPENTER | CHIEF SUPPLY CHAIN OFFICER (AND FORMER HOP GROWER)

We start these investments offering industry-leading returns to our growers to help promote the responsible development of their fields, facilities and workforce.

The rise in hops as a specialty crop has led to an increase in attention to all aspects of hop farming and processing. YCH conducts an annual cost survey of growers to help our teams stay informed of any changes in cost along our supply chain. When examining the breakdown of farming costs, you can see there is more to hop farming than you might expect.





#### **GREEN CHIEF®**

In 2017, we continued using the Green Chief® program to connect with our grower network and Select Botanicals Group to build a more resilient supply chain. Over the last year, YCH has hosted meetings to promote topics supporting the pillars of Green Chief®: food safety, quality and sustainability.

#### DIFFERENT REGION, DIFFERENT CHALLENGES

Hop growers face variable, but constant pest pressures throughout the growing season. Unique climatic conditions in each primary Pacific Northwest growing region requires a specialized approach. In Spring 2017, the Green Chief® team hosted meetings in Washington, Oregon and Idaho. We invited growers to converse with agricultural specialist a learn more about integrated pest management (IPM) best practices. Growers in Washington heard from Dr. Doug Walsh about mites, Oregon discussed mildew with Dr. David Gent and Idaho worked with Dr. James Barbour to combat weevils.

#### **GLOBAL G.A.P & BEYOND**

We support our growers' aim for excellence and continuous improvement of their farming practices and farm facilities. In pursuit of that goal, many growers have embraced a variety of social and environmentally focused third-party certifications. GLOBAL G.A.P (GG) is one of the most widely recognized and accepted international farm production standards, with G.A.P standing for Good Agricultural Practices. As of this report, 10 of YCH's supplying growers have achieved the certification.

#### MAKE EVERY DROP COUNT

Hops require a relatively large amount of water to thrive, often more than can be satisfied by natural rainfall. This is especially true in the Yakima Valley and Idaho, where access to irrigation is the difference between lush hop fields and the surrounding shrub steppe. We held our 2017 water seminar led by guest speaker Dr. Troy Peters from Washington State University. Dr. Peters helped lead a lively discussion examining innovative practices in irrigation and hop farming. Growers reviewed topics such as plant physiology, soil variability and even irrigation planning apps.



## **PEOPLE** & COMMUNITY



**BO** % FULL-TIME WORKFORCE THAT ARE FEMALE

% FULL-TIME WORKFORCE THAT ARE MINORITY

C

**550,000** DONATED TO LOCAL COMMUNITY PROJECTS **10,000** 

IN-KIND DONATIONS TO **DISASTER-RELIEF BREWING** EFFORTS IN FLORIDA, HOUSTON & CALIFORNIA

IN-KIND DONATION TO **ALES FOR ALS™** 





HAVING A SKILLED AND ENGAGED WORKFORCE IS THE ONLY WAY TO TRULY FULFILL OUR MISSION TO CONNECT FAMILY FARMS WITH THE WORLD'S FINEST BREWERS. WE HAVE A RESPONSIBILITY TO FOSTER THE SAME ENVIRONMENT OF TRUST AND DEVELOPMENT FOR OUR EMPLOYEES THAT WE STRIVE FOR WITH OUR SUPPLIERS AND CUSTOMERS.

## "INDIVIDUALLY, WE ARE ONE DROP. TOGETHER, WE ARE THE OCEAN"

RYUNOSUKE SATORO

#### EMPLOYEE SATISFACTION TAKEAWAYS

In 2017, we took a novel approach to analyzing our Employee Satisfaction Survey. Rather than focusing exclusively on the highest and lowest scoring questions, we also compiled our highest points of leverage. These points of leverage were found by determining correlation of the corresponding answers to each individual question with the response to the over-arching question: "Overall, I'm satisfied with my employment at YCH."

Of the eight questions representing topics determined to be the highest points of leverage, six were related to career development and relationship management. These results have been a catalyst to invest more in professional development to empower our employees to excel in their current positions and grow with the company.

#### **EMPLOYEE VOLUNTEERISM**

In this same employee satisfaction survey we confirmed the untapped opportunity to bring community volunteer into our workplace. 41% of our employees volunteer for local community organizations outside of work. An additional 33% reported that they don't currently volunteer, but would like to. In response to this interest, we have designed an internal volunteer program to support our employees' shared passion for donating their time and efforts to organizations that build our communities. We look forward to sharing our community stories in the coming months.





#### "BY LOOKING THROUGH MY OWN LENS, I'M ABLE TO SEE CHINA'S BEAUTY. BUT MORE IMPORTANTLY, ITS GROWTH AND OPPORTUNITY FOR INTERNATIONAL BUSINESS. THIS MAKES ME EXCITED FOR THE FUTURE AT YCH HOPS." LAURA LEITZ | INTERNATIONAL SHIPPING COORDINATOR

#### **CONTINUING EDUCATION**

In 2017, YCH HOPS participated in a Washington state fully funded tuition and training opportunities program specifically targeted for Manufacturing employees. The \$2.7 million dollar federal grant helped manufacturing businesses across the state of Washington pay for worker training. We had a total of 10 employees take advantage of this professional development opportunity.

The U.S. Department of Labor paid for the training to boost the skills of those who work at small and mid-sized manufacturers in rural areas. All training was done online and aimed at boosting staff knowledge, expand productivity, and improve business

profitability by providing connections and network, strategic consulting, supply chain identification and management training to enable YCH HOPS to compete for business that currently goes overseas.

In the picture above, left to right is Vita Bronkhorst, International Shipping Coordinator Lead; Tyler Shearn, International Shipping Coordinator; and Laura Leitz, International Shipping Coordinator. Together this team works collectively to export 2.2 million pounds of hops around the globe per fiscal year. Vita, Tyler and Laura participated in the "Make it in Washington" Grant. After a year of training they received an International Trade and Logistics Certificate through Highline Community College.





IN EARLY 2018, PINK BOOTS BLEND HIT THE MARKET, SELLING 12,728 POUNDS AS OF MARCH, RESULTING IN \$38,184 DIRECT HOP SALE DONATIONS FROM YCH TO PINK BOOTS SOCIETY AND CULMINATING IN THE LARGEST INTERNATIONAL COLLABORATIVE BREW DAY THE ORGANIZATION HAS SEEN TO DATE.

#### COMMUNITY BLENDS

Our customers are always looking for ways to give back to their community and we want to help provide them with every opportunity to succeed. The best way we can help our customers give is to provide what we know best: hops!

We will continue to expand our Community Blend program in which uniquely crafted hop blends are used to brew beer, with a portion of both the beer and the hop blend sale benefiting a featured not-for-profit organization.

#### PINK BOOTS BLEND

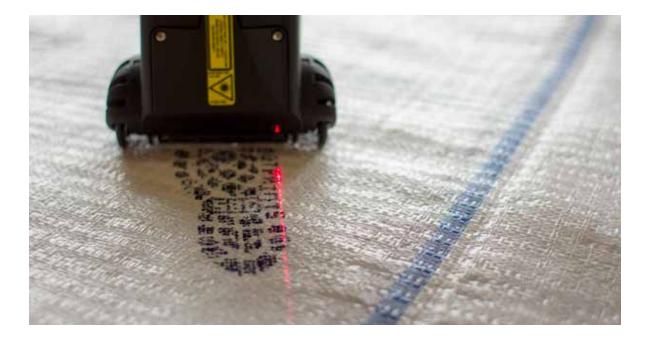
In late 2017, members from the Pink Boots Society (PBS) joined representatives from YCH Hops in Denver, Colorado and selected hops for a special Pink Boots Society hop blend. This unique selection experience, usually reserved for breweries of a certain size, was a wonderful bonding and educational experience for the participating members and led to the strategic formation of a partnership between YCH HOPS and Pink Boots Society. Pink Boots Society was "created to assist, inspire and encourage women beer industry professionals to advance their careers through education." YCH HOPS was proud to support this mission by producing and selling the "Pink Boots Blend" that was envisioned by these women and donated \$3.00 per lb. for every pound sold. Through the joint outreach efforts of both YCH HOPS and PBS, the largest, global collaboration brew commenced on and before International Women's Day, bringing women from around the globe together to brew and raise money for a great industry cause. As of March 2018, 12,728 pounds of the Pink Boots Blend was used in this effort, resulting in a contribution of \$38,184 from YCH HOPS to PBS. Additional financial contributions from breweries serving the beers brewed with the hops continue to be submitted in support of Pink Boot Society.

# EARTH











IT'S NO SECRET TO US THAT RECYCLING IN THE YAKIMA VALLEY CAN BE A CHALLENGE. ECONOMIC LIMITATIONS HAVE LED TO RELATIVELY LIMITED INFRASTRUCTURE AND THE INABILITY TO RECYCLE CERTAIN COMMON ITEMS SUCH AS GLASS OR MANY FORMS OF PLASTIC PACKAGING. IN THE FACE OF CHALLENGES, WE ASPIRE TO BE A RECYCLING LEADER IN OUR COMMUNITY.

### WE ARE PROUD TO PARTNER WITH BUSINESSES THAT SHARE OUR DEDICATION TO THE ENVIRONMENT AND CONTINUED EFFORTS TO REDUCE OUR LANDFILL CONTRIBUTIONS.



#### **GROWERS SUPPLY**

As part of the baling process, hops are wrapped in a woven cloth to protect them and maintain bale structure. This material can be made from natural fibers, but is most often comprised of polypropylene. YCH received an estimated 300,000 lbs. of polypropylene cloth ("poly cloth") during the 2017 harvest. High variability in cloth color, hop residue and plastic grade makes it especially difficult to find a consistent recycling outlet. Recognizing this recycling challenge for local hop processors, Tom Sauve of Growers Supply started developing a material that would address not only the functional needs, but also the environmental concerns of the hop supply chain. With the hop residue content out their control, Growers Supply started testing a material consisting of a consistent plastic grade and standard white color.

Tom worked with local farms and processors, including members of the YCH team, to ensure this new material would deliver on function, quality and sustainability promises. Ultimately, the goal is to create a local recycling system that can take in the used material and create new products. We are proud to support the efforts of our local suppliers and look forward to a full implementation of this material for Harvest 2018.





#### BENTON REA & ELLENSBURG SOLAR

YCH has completed Phase 2 of our continuing on-site solar goals. In total, more than 1,400 individual solar panels have been installed on the finished goods warehouse (FGX) in Sunnyside. These panels together generate an estimated 514,592 kWh annually, enough to satisfy the electricity needs of 48 U.S. homes. Our current solar arrays contribute to over 6% of our total 2015 electricity baseline. We are on track to complete Phase 3 by end of 2018.

Many commercial solar systems operate on net-metering agreements in which the energy generated by the panels is fed back into the utility grid. At YCH, our solar arrays generate energy that is consumed immediately by the metered warehouses. Because the warehouses require energy 24/7 to store hops, none of the energy generated from our solar panels is fed back into the grid.











#### MICHELSEN: LEADERS IN COMMUNITY RECYCLING

Michelsen Packaging Company is a local company specializing in produce packaging and equipment manufacturing. They also play a huge role in helping YCH toward our landfill diversion goals.

Michelsen has taken their commitment to quality and community to the next level by investing in recycling infrastructure that allows them to create their packaging products from locally-sourced recycled material. Michelsen offers an outlet for paperboard material, helping YCH find a home for our bales of recyclable cardboard, while supplying packaging products to many of our hop growers who are diversified in other agricultural products. Michelsen's investments in supporting local economic growth through environmentallyconscious efforts is something we are delighted to be a part of for years to come.



R-22 (chlorodifluoromethane) is a refrigerant still present in some of YCH's oldest buildings. Due to the ozone depleting potential of R-22, YCH is in the process of transitioning all facilities to the more environmentally preferable R-404A. 400

R-404A

R-410

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ASSEMBLES IN

DY-MOUNT

800jmm

714







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