



Sustainability Report

FY15



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A Letter from Our Team

Every day Lundberg Family Farms® (LFF) works toward a better, more sustainable future by improving upon current practices and looking for new, innovative ways to reduce resource use.

In an effort to promote company sustainability initiatives, LFF became a member of the Sustainable Food Trade Association (SFTA) on May 19th, 2009. This organization provides businesses in the organic food trade with guidelines and recommendations for how to embody sustainability in their own operations. On that date, LFF signed the *“Declaration of Sustainability in the Organic Food Trade”* and committed to reporting the company’s annual performance in the 11-action categories.

As we work to supply the world with great tasting rice, Lundberg Family Farms® strives for continuous progressive improvement and practices transparency in annually auditing performance. We also select reporting metrics that are relevant and necessary to our business practices.

This report has been compiled to inform consumers and employees alike on Lundberg Family Farms’® sustainability accomplishments during our 2015 fiscal year.

Thank you for your continued help and support,

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Our Path to Sustainability

A Legacy Of Respect For The Land

Lundberg Family Farms® is a family-owned and operated business with a mission to honor the family farming legacy by nourishing, conserving, and innovating for a healthier planet.

Since 1937, the Lundberg family has been growing healthy, great tasting rice. Located in the Sacramento Valley of California, the small town of Richvale proved to be the perfect setting for Albert and Frances Lundberg to pass on their legacy of respect for the land to their four sons.



Albert had seen the ravages of the Dustbowl that resulted from poor soil management and short-sighted farming techniques and he impressed upon his four sons the need to care for the soil. The four brothers – Eldon, Wendell, Harlan and Homer -- went on to pioneer organic rice-growing in America.



Beginning in 1968 with 60 acres, Lundberg Family Farms® used farming techniques ahead of its time and has grown into a mission-driven company which holds itself to a high standard in business, environmental stewardship, and employee relationships. Now in 2015, Lundberg produces 11,174 acres of certified organic rice with 4,653 acres on family-owned or company-owned ground and 11,215 acres contracted with their family of growers in California. The company partners with 58 rice farming families in the Sacramento Valley to

supply the volume of rice needed for its products.

The third and fourth generations carry on the family heritage by using eco-positive farming methods that produce wholesome rice, rice cakes, rice chips, rice pasta, risottos, sprouted products, whole grain entrees, and quinoa while improving and protecting the environment for generations to come.

Organic & Land Use Practices

Certifications

Lundberg Family Farms® products labeled as "organic" or "made with organic" are grown, handled and processed in accordance with the USDA's National Organic Program (NOP) standards. Third party organic certifiers inspect fields and production facilities as well as



review records and organic procedures to ensure compliance with the standard, allowing for certification of organic products. The standard requires detailed record keeping, natural pest control, a workforce educated on organic practices, compliant labels and the ability to track and trace all products back to organic fields. LFF believes that the company's integrity and commitment to organic farming since 1968 provides a trustworthy foundation for its organic grains, but also knows that consumers appreciate and depend on the assurance and experience that certifiers provide. LFF is certified to NOP standards and Global Market Access (GMA) program standards by California Certified Organic Farmers (CCOF).



Lundberg Family Farms® is a proud participant of the Non-GMO Project, a non-profit organization created by leaders representing all sectors of the organic and natural products industry in the U.S. and Canada, to offer consumers a verified non-GMO choice. LFF recognizes the importance of a natural environment, purity of foods and sustainable agriculture. We recognize the consumer's interest in knowing how their food was produced and what ingredients are present. LFF's goal is to be able to market its grains in all countries worldwide in accordance with those countries' GMO acceptance levels. We promote a non-GMO philosophy as a way of doing business. All of LFF's products are Non-GMO Project verified *with the exception of Creamy Parmesan Risotto and Organic Sweet Dreams® milk chocolate rice cakes.*



All products, with the exception of those containing gluten, that are produced at Lundberg Family Farms® facilities are certified gluten free by the Gluten Free Certification Organization. All products, and ingredients used in these products, contain 10 parts per million or less of gluten. Those products that are gluten free, but not certified also contain 10 parts per million or less of gluten. The gluten requirements that all products must meet are more stringent than those set by the FDA, which is less than 20 parts per million.

In 2015, LFF obtained biodynamic facility certification and produced its first crop of certified biodynamic rice. Biodynamic farming builds on the basis of organic farming practices and includes the entire farming system, emphasizing the relationship of soil, plants, and animals in one unified system. Biodynamic farming also stresses farm-generated, living solutions to fertility and pest control. LFF is now producing two varieties of biodynamic rice.



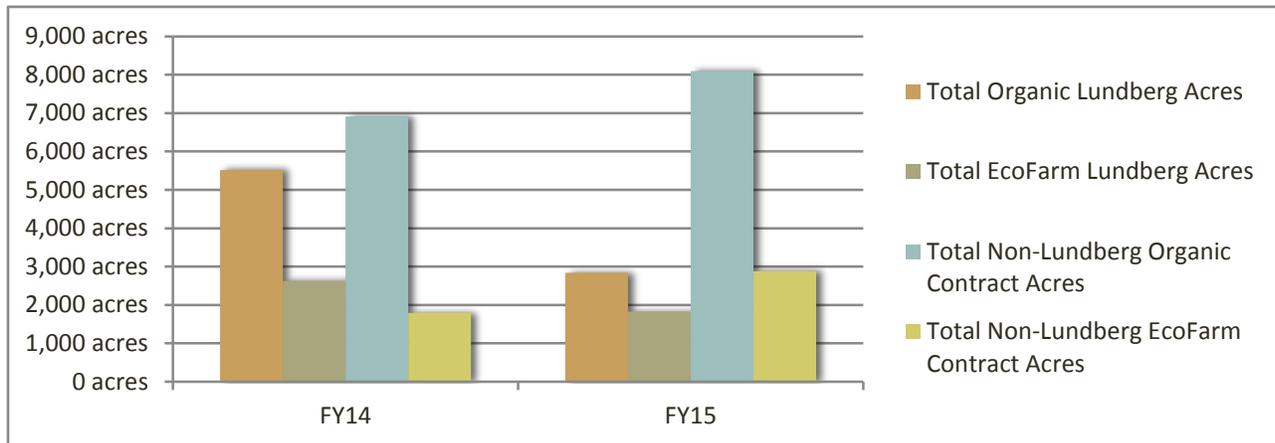
Land Use at Lundberg

During the last year Lundberg increased the contracted farming capacity to meet growing demand. Some of this growth is attributed to the addition of two new farm properties in the Sacramento Valley. In addition to new land, LFF is

working to transition roughly 1404 acres to organic fields in FY16. These fields include rice, quinoa, and a few plots of land currently being used to test new varieties of crops.

Eco Farming

Defining the family's Eco Farm standard has been an ongoing effort. LFF Eco Farmed standard is considered a better-than-conventional farming practice, as restrictions are placed on the types of chemicals authorized for use on the fields where the rice is grown. LFF currently self-directs these standards.



Our Growers

To better understand our family of growers, LFF launched a sustainability survey to gather information on land use and farming practices that go beyond organic certification requirements. The areas of query include biodiversity, labor (retention, pay, safety, and benefits), water use and crop residue handling practices.

As a result of the survey, Lundberg Family Farms® has created several soft goals for our organic agricultural products that include providing sustainable pricing to growers which will support healthy farms, people and environment as well as promoting wise use of resources as measured in a positive 5-year trend for production yields. The survey has also helped LFF better understand of our growers needs and identified areas for future improvement.



The Lundberg Commitment

Lundberg Family Farm® grains:

I. Are grown, harvested, handled, milled, processed, packaged, warehoused and distributed utilizing farming and handling practices approved by USDA’s National Organic Program and OMIC.

II. Are grown with no prohibited fertilizers, pesticides, or growth regulators applied to the organic fields or crops for a minimum of 36 months. In many fields organic practices have been in place for over twenty years.

III. Are handled with only microorganisms, microbiological products and materials consisting of, or derived or extracted solely from plant, animal, or mineral bearing rock substances applied during production, storing, processing, harvesting and packaging; and

IV. Have accurate records kept of field location and acreage used for growing organic crops, the applications made to the soil or applied to the plants or added to the irrigation water, and such records are retained for at least five years after the crop is sold and delivered.

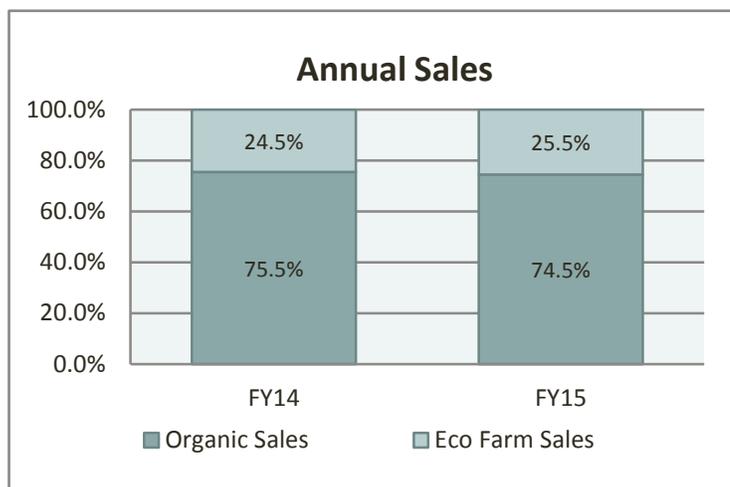


In addition to the legal requirements, LFF pursues a positive program of ecological stewardship by:

1. Returning rice straw to the soil after harvest (instead of burning) to enrich the soil and protect the air and the environment.
2. Practicing crop rotation; utilizing nitrogen-fixing crops for soil enrichment.
3. Providing valuable habitat for a variety of animals. For example, migrating waterfowl rest in flooded fields during the winter and in return they help decompose straw and improve soil fertility.
4. Encouraging water-conserving irrigation.
5. Never growing genetically engineered crop varieties.
6. Using only natural pest control systems in the handling and processing facilities in Richvale.
7. Generating and purchasing green power for the handling and processing facilities in Richvale.

Product Sales

In the last fiscal year, approximately 75% of all LFF product sales were organically grown, while the remaining 25% were grown to the family’s Eco Farm standard; this is the same ratio as in FY14. While a fluctuation in Organic vs. Eco Farmed product sales is likely to occur from year to year due to many market dependent variables, the company prioritizes Organics for all new product development.

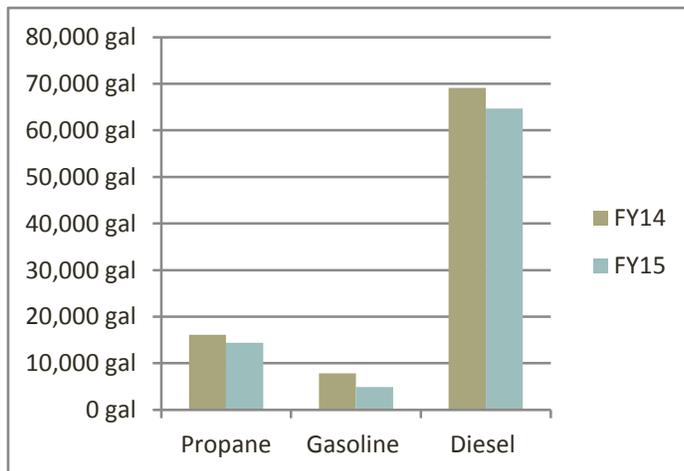


Distribution & Sourcing

Distribution

All inbound and outbound distribution is accomplished using over-the-road trucks equipped with 48 or 53-foot trailers. To the extent possible, truck loads are full and intermodal is used when shipments are long distances. LFF strives to maximize all loads both out-going and in-coming. Regularly, supplies such as packaging, spices, ingredients or products from nearby farmers are backhauled on return trips.

Roughly 43% of Lundberg Family Farms® sales are within 1,000 miles of Richvale. Due to our centrally located rice processing facility in Richvale, CA, incoming rice at harvest travels no further than 220 miles for wild rice and 90 miles for other rice varieties; most of the Lundberg owned and leased rice land surrounds the small town of Richvale. Not only does our rice travel a short distance for drying, but approximately 87% of LFF products are produced onsite by sales dollar and 80% by equivalent units, keeping food miles at a minimum. Onsite production is up 4% from FY14 due to initiatives to create more products onsite; this includes quinoa, Thin Stackers®, and Sweet Dreams®.



In FY13 LFF expanded to include Pacific Farms, the family owned and operated land, into the business. The inclusion of the farm resulted in a significant increase in the gallons of fuel used. LFF is exploring more efficient equipment, such as GPS guided tractors, and other more effective processes to be used in the rice fields. We are actively tracking our farming activities and looking for areas of improvement on the farm which lead LFF to explore different fuel options.

A team was comprised in FY15 to investigate the use of biodiesel alternatives for our farming operations. Springboard Biodiesel, a locally owned and operated company that produces fuels from used vegetable or animal oils, was able to provide LFF a wealth of information. The team determined that biodiesel provides a great opportunity for LFF to use alternative fuel, but would cause numerous limitations for farming staff and could harm some of our newer, fuel efficient equipment. LFF plans to pursue this project in the future with a goal of reaching a 50/50 blend of diesel and biodiesel. In FY16 LFF has an initiative to investigate distribution metrics that would allow tracking of the food miles traveled and energy used per case of product. In addition, we will

work with our distribution vendors to query if they have more fuel efficient trucks available and if they measure and could provide us with information on their carbon footprint.

Company Owned Vehicles

Company owned long-haul trucks are used to deliver and pick-up within a 250-mile radius and short-haul trucks are used to transport rice from the drying facility to the milling facility. Both types of vehicles have diesel engines which get better mileage than a gasoline engine. While exploring new vehicle options in 2015, LFF created a soft goal to place purchasing preference on hybrid and electric vehicles.



In 2015, the company continued to utilize a six passenger electric cart with the purpose of giving tours around the facility and commuting around the town of Richvale as an alternative to employees using company or their personal fuel-powered vehicles. The company also provides bike racks and several community bicycles for employees to move between the office, drying and manufacturing facilities.

Sourcing

Lundberg Family Farms® is continuously seeking ways to improve cost and efficiencies surrounding product sourcing. Our manufacturing department prioritizes sourcing by local, regional, national, and international locations, in that order. With Lundberg Family Farms® being located in the heart of the Northern California, local sourcing for raw materials and ingredients is generally not too challenging. The majority of the raw materials and ingredients purchased by LFF are sourced from the United States, with a sizable portion of these vendors being located within the state of California.



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In 2014, LFF expanded its reach in the market by introducing Sweet Dreams®. This product required sourcing outside of the company's supply chain to regions outside of the United States. We are now sourcing and utilizing ingredients that are certified organic and Fair Trade through Fair Trade USA. Comprehensive record keeping is required to achieve certifications by Fair Trade USA, the Non-GMO Project Verification program, and Gluten-Free certification.

Energy Use

History

Since our baseline year in 2008, the company has continued to grow in volume, product capabilities and complexity. About a third of our energy is used in drying and storing rice crops --the amount of energy used is directly related to crop size and weather at the time of harvest—and the remaining two-thirds of our energy is used for on-site processing and manufacturing. This led LFF to expand on the company's energy metrics in 2012 to begin tracking energy consumption in three main categories: Overhead (BTUs/ft²), Manufacturing (BTUs/unit produced) and Drying & Storage (BTUs/CWT handled – adjusted for moisture content). Goals were put in place to reduce overall energy use and to increase the amount of renewable energy generated onsite.



In 2013, after continued measuring and evaluating energy use, LFF recognized that we still did not have a great understanding or ownership of energy use in our facilities. One of our main challenges was that our facility was vastly changing to expand LFF's onsite capabilities. Therefore, our manufacturing facility layout made our ultimate goal of tracing energy use by SKU extremely challenging. In addition, our approach to energy had not been working to achieve our FY12 goals. To support future growth and efficiency efforts, LFF needed to create a wider vision and policy.

Goals & Results

In January 2014 Lundberg Family Farms® partnered with PG&E and Strategic Energy Group (SEG) as a member of their Continuous Energy Improvement (CEI) Program. Over a period of 16 months, design and implementation of the program resulted in the creation of a Continuous Energy Improvement (CEI) Team at Lundberg Family Farms®. The CEI Team developed an overall scope that included an Energy Policy, Energy Performance Indicators (EnPIs), Energy Map, Awareness Program as well as a baseline for the Monitoring, Targeting, and Reporting Model (MT&R).



Through the Strategic Energy Management (SEM) plan and CEI Team, Lundberg set new strategic goals for the upcoming years. These goals were identified and implemented with Lundberg's Energy Policy. The goals are to:

- ☑ Reduce energy intensity 2.5% each year by focusing on the three largest drivers of usage, in order to achieve a 10% energy intensity reduction by FY17 (using FY13 as a baseline).
- ☑ Develop and implement two improvement projects in our three identified areas each year, resulting in 6 total projects completed by FY17.
- ☑ Create a companywide awareness program that includes monthly tailgate topics and training to promote understanding of key energy information as it relates to facility energy intensity.

Challenges and Opportunities



The CEI Team has brought a unique set of challenges and opportunities to LFF. The resources provided by SEG staff were extremely helpful and included modeling software, framework, and other valuable information. However, involvement on the Energy Team required time from already stretched staff. Those able to join participated in activities that allowed employees to learn and take ownership of initiatives while also becoming part of a functional team.

The modeling of our energy systems is quite complicated and took much more time than expected to complete. These models are still being used today to track progress and can be updated as the company continues to change.

In FY14, as part of the SEM Program, the CEI Team conducted energy mapping exercises for the full facility and an energy scan was completed to help the CEI Team choose areas of focus for 2014 and 2015. Some of the inefficiencies included compressed air and outdated lighting. An extensive list of items has been compiled into an opportunities register that places a value in energy and dollar savings for each item. The CEI team has prioritized the items and created a timeline for completion.

The challenges faced by the CEI Team will be to continue developing achievable goals, updating the energy models when necessary, finding engaging ways to communicate progress to staff, and lastly to continue the momentum that has been created by the CEI Team and involvement with SEM Program. Though, by working together, the CEI Team has been able to replace FY12 goals with new strategic goals that are more specific, measurable and realistic goals. Moving forward LFF will be able to work toward a future of energy efficiency.



Conservation & Efficiency

LFF is continually looking for ways to improve our products and processes which is why a Pilot Plant was inaugurated early in FY14. This facility is used for development of innovative products and processes. Several ideas for new production methods have been tested and proven which may result in significant energy savings as they are carried out to the production floor. As new products are developed, material efficiencies are top of mind including food ingredients, energy use and packaging materials. In FY15, our Research and Development team continued to use the Pilot Plant to create new products while taking resource use into consideration.

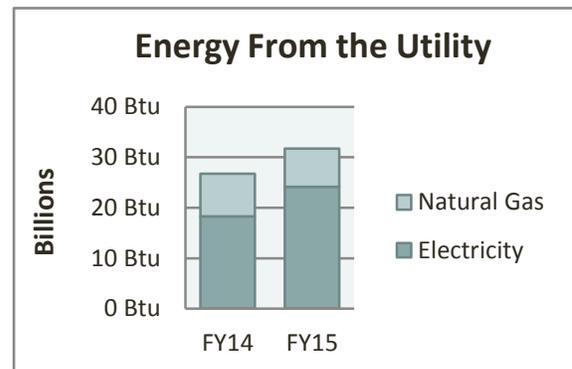


In FY15, the CEI Team decided to focus on 4 main projects: Lighting, Compressed Air, Outreach and Development. These projects were selected due to their potential energy savings and visibility throughout the facility.

The Lighting Project eliminated the need for 134 fixtures throughout the facility and saved about 24,200 kWhs! Through the Compressed Air Project over 300 compressed air leaks were identified and tagged, the maintenance team was able to fix 46 large compressed air leaks, and 64,530 kWhs were saved. Other savings can be contributed to our Outreach Project which focused on employee behavior changes through training and communication: Warehouse 7 high speed door outreach helped remind staff to close a door connecting a refrigerated room with an unrefrigerated room which resulted in savings of 56,418 kWhs in FY15. Lastly, the

Development Project worked to identify future projects that could increase effectiveness and efficiency of energy use such as improved data reporting and a sustainability dashboard to include sub-metering of our largest energy use areas.

In total for FY15, these programs along with other energy saving measures taken by LFF saved 141,288 kWhs for the year. In FY16 we hope to continue our efforts in the four project areas, with a focus on compressed air. LFF is also exploring huge potential energy savings at our drying and storage facilities through more precise automation controls as well as new ways to manage our chilled water system.



LFF completed one of the biggest energy saving projects for our Richvale facility in 2011 through



the installation of a chilled water system targeted to replace all of the conventional air conditioning in our warehouses and offices with chilled water cooling. This project has increased energy efficiency, simplified maintenance, and reduced potential for refrigerant leaks. The utilization of this system continues to be expanded throughout the facility; in FY14 it was extended to our milling operations. In FY16, LFF hopes to update our controllers and programs needed to better manage and operate our system.

Renewable Energy Credits and Carbon Offsets

Since 2003, LFF has been purchasing Renewable Energy Credits (RECs) to offset 100% of purchased electricity. In 2013, LFF also began purchasing Carbon Offsets (CO) for natural gas used at the facility.

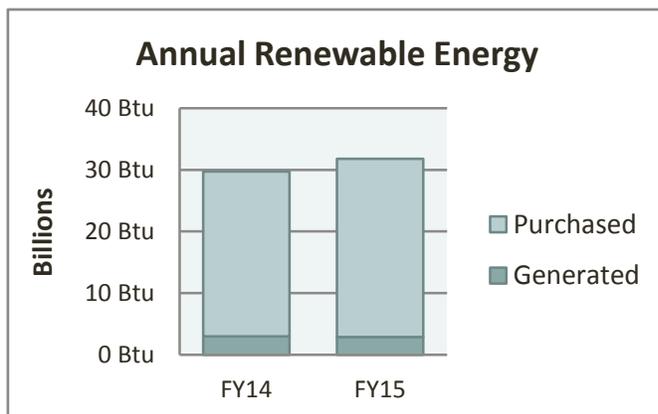


LFF continued its commitment in FY15 by purchasing RECs and COs from 3Degrees™ to offset 100% of purchased electricity and natural gas, propane and diesel used at facilities and on farmland under company control. This includes all Richvale facilities, our pilot plant, warehouse facilities, and fuel used in our farm equipment. LFF purchases RECS that are an 80-20 blend of both U.S. wind and West wind in order to reflect the geography of our consumer base. The purchase of carbon offsets supports the Garcia River

Conservation-Based Forest Management Project which meets the standards of the Climate Action Reserve while increasing sequestration and storage of carbon in a native redwood forest and restoring wildlife habitat. Located in the heart of the Redwood region of the California North Coast, Garcia River is recognized by the California Department of Fish and Game as a high priority for protection and recovery of the state and federally-listed endangered Coho Salmon and Steelhead Trout. The property also supports Northern Spotted Owl and numerous other rare plants and animals.

Onsite Solar Energy Generation

Lundberg Family Farms® has three solar panel installations onsite: one ground mounted array near the Drying & Storage facility rated at 197 kW and two roof mounted array a-top warehouses that are rated at 185 kW and 377 kW. In total, these solar installations generate approximately 12% of the total electrical needs of the facility annually.



Understanding that solar alone may not be the sole answer to self-generation goals; the company continues to look for viable options for alternative onsite generation technologies. In the past, LFF conducted a feasibility study around utilizing rice hulls to produce heat and energy with a waste product of biochar. LFF explored whether or not biochar material could be used in organic fields and in our greenhouse; these studies will need to be repeated or scaled to

small field plots for future testing. Currently, the biochar feasibility study is on hold in order to complete on-site expansion projects and to get a better understanding of our overall energy consumption.

LEED Building Certification

Though none of our facilities have been certified, Lundberg has used the Leadership in Energy and Environmental Design (LEED) guidelines for years as we built new additions to our facility. Our Administration building and Warehouse 7 have been built to LEED 2009 standards while our future Rice Cakes Expansion is being built with LEED in mind.

Our beautiful Administration building was complete in in 2011 and has added numerous capabilities to the company's toolkit. It has improved the quality of the working environment for employee and improved the efficiency with which resources are consumed. Energy consumption in this overhead area has experienced an increase in efficiency by 24% in Btus/square foot.

Warehouse 7 was built in 2011 to provide LFF with the space needed to store and distribute our wide variety of products. This facility uses numerous energy efficiency techniques such as natural lighting from skylights, LED lighting with motion sensors, and high speed doors to help maintain settings in temperature controlled rooms. The air is handled with night flushes to reduce need for chilled air and has a loading dock that utilizes a locking system which is not only effective for insect exclusion but climate control. Lastly, LFF was able to save resources by using recycled steel during construction, installing water saving fixtures, such as waterless urinals, and by reducing the need for paper towels through the use of high-speed hand dryers.

In 2015, Lundberg began to plan and build our new Rice Cakes Expansion (RCE) facility. The RCE will be a functional, comfortable, attractive new manufacturing workspace. The RCE will be built to create room for current production and forecasted growth while also providing adequate space for



potential new product development. This project will centralize LFF production centers making the shipping and receiving of goods much easier and efficient. The facility will be a state-of-the-art, energy efficient structure that embodies and demonstrates Lundberg's legacy to nourish, conserve, and innovate for a healthier planet. The project will be located on a site that supports this vision and will have a positive impact on the future of Lundberg.



As we continue to grow, we plan to use LEED building requirements for direction in new building projects to help create more holistic spaces. Eventually, LFF plans to certify all facilities under the LEED v4 Operations and Maintenance (O+M) certification. In FY16 LFF will continue to research this option, create an action plan, and develop a roadmap for facility certification.

Climate Change & Air Emission

Rice Production

The production of rice around the world has been implicated as a major source of man-made methane, one of the most potent greenhouse gases. Methane emissions from rice fields are determined mainly by water regime and organic inputs, but they are also influenced by soil type, weather, tillage management, residues, fertilizers, and rice variety. However, rice is the most heavily consumed staple food on earth. Lundberg Family Farms® Agriculture Department has done extensive research on practices to reduce methane emissions, and is also recognizing the importance of some of LFF's practices in sequestering carbon, such as straw incorporation and cover-cropping. In FY16 one of our sustainability initiatives is to investigate the importance and message around cover-crops.

LFF is also beginning to explore its emissions from field to plate, as well as what may be done to mitigate its effect on the environment. The company has been working diligently to understand where they stand as a business in terms of its contribution to global climate change. Understanding the impact of the business is the first and most important goal for the company, to date. Thus far, LFF has not developed a detailed goal for climate change or greenhouse gas emissions but creating a baseline, while extremely complicated, is underway. This topic has been discussed and opportunities for metric development and tracking have been explored.



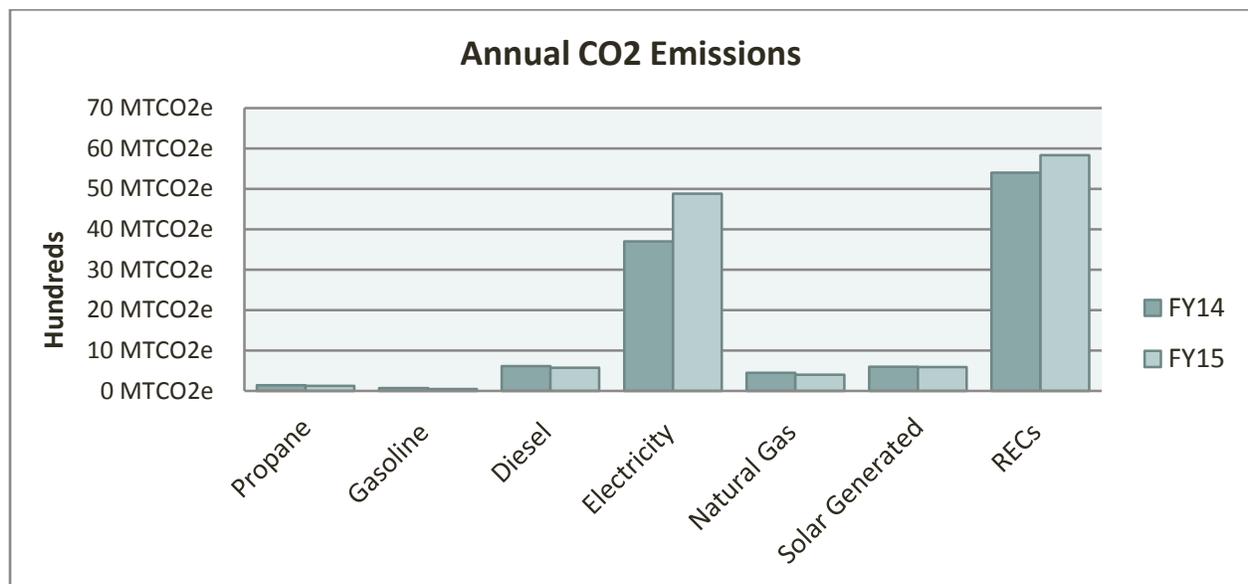
Currently, LFF is an active member of the California Rice Commission (www.calrice.org), which



provides support and research for issues surrounding rice production within the state of California and influences the rice production industry throughout the US. As an active member, LFFs staff and family participate in group discussions and advocate for measures to be taken by the industry to obtain a better grasp on the implications rice production has on the environment. The California Rice Commission has published a preliminary

sustainably report on California rice production which includes details on how CA rice production affects climate change, among other areas of focus (<http://calrice.org/pdf/publications/documents/Sustainability+Report.pdf>).

In 2014, as a result of coordinated industry efforts, the California Rice Industry became the first crop in the United States to put forward a proposal for the sale of carbon offsets by farmers for practices on their farms; the draft of standards was reviewed by the California Air Resources Board (ARB) in 2014. On June 25th, 2015 the project was published with the intention to quantify and report on greenhouse gas emission reductions associated with changes in rice cultivation practices (<http://www.arb.ca.gov/cc/capandtrade/protocols/rice/riceprotocol2015.pdf>). LFF is keeping a close eye on the research being conducted by the production industry and hopes to build a better understanding of the impacts the business has on climate change from farm to table.



Employee Commuting

Lundberg Family Farms® manages an employee carpool program with approximately 10% of employee participants during any given month. The program has an annual budget of \$5,000. LFF



offers prize incentives through a raffle at the end of each month and quarter. Five winners are drawn each month for gift cards to local businesses valued at \$25 each and four winners are drawn annually to win the quarterly prize valued at \$500. Carpoolers and bicyclists fill out daily carpool tickets to be entered. Bicyclists are also included in this program. In 2015, 24,042 miles worth of driving, 1,073 gallons of gasoline, \$3,605 and 21,427 lbs. of CO2 were avoided. The estimated annual emissions from workforce commuting in FY15 are 17.6 metric tons.

The challenge with LFF’s rural location is that the use of public transportation is currently unrealistic and impractical for employees since there are no public bus routes to or from Richvale.

The viability of alternative transportation opportunities are addressed annually to ensure that all options within the company's means are explored. In FY16 we have a few carpool initiatives which include installing our preferred parking signs and making the program more readily available.

Water Use & Quality

Understanding Water Use

Water is one of the most important natural resources and the key tool in Lundberg Family Farms® organic and Eco-Farmed rice production practices. Field production of rice utilizes ground and surface water. A considerable amount of time is spent planning and deliberating when to apply irrigation, how much, and when to withdraw water. It is an intricate dance with strategies to control pests and weeds, while boosting yields and getting the harvest in on time. Although LFF does not have a water reduction goal, the company does strive to use irrigation as efficiently as



possible and tools are actively being explored for setting future goals; the California Rice Industry surveys water districts and growers and calculates average use per acre for rice production, but because many of our growers do not have meters on their farm water sources, creating a specific, accurate baseline for improvement at LFF is challenging. LFF has a field research and rice-breeding nursery where experiments are done with new varieties, heirloom varieties, and selecting for special traits which may help to increase water efficiency.

In FY14, California was again experiencing a drought and water shortages caused limits to available water for agriculture. LFF worked with growers to match their farm water availability with company rice needs. From the eighteen varieties of rice grown, one long season variety was not grown and a suitable shorter season substitute was identified in an effort to conserve water and meet consumer needs. In 2014, LFF also worked with water engineers to identify tools to measure water use by variety (evapotranspiration, ET). Results presented in FY15 should help determine use, appropriate metrics, and water saving opportunities. LFF hopes to be able to conserve water and use only as much as necessary to produce high quality rice products.

In FY15 Lundberg Family Farms® farming operation expanded production to additional farming locations with soils that allowed production of crops beyond rice, cover crops



and green manure crops. Learning about and making improvements to irrigation systems at these locations was a heavy focus for the production year. Quinoa was grown in Humboldt County using only rain for irrigation, which is a savings over crops and locations that require additional water during the production season. In FY16 it is planned to hire a manager of farming water systems which is expected to allow further improvements of the overall water strategy and use.

LFF's current water goal is to install the appropriate tools to be able to track and measure water usage throughout operations in order to be able to speak to the company's consumption and eventually determine feasible and responsible goals surrounding company-wide water usage.

Water Use in Food Production Facilities

LFF uses groundwater for the manufacturing facility in order to have high-quality potable water. The Rice Cakes department uses water by adding it to the rice to hydrate it for popping and for making liquid applications (e.g. salt solution). Rice Cakes also uses water to clean the popping room conveyors, oven and flavoring/topping systems. The Processing department uses water to clean



some of the flour production equipment. In FY14 a new sanitation wet cleaning facility was installed for the cleaning of production equipment. It is expected that utilizing these new processes and equipment will make wet cleaning more effective and more efficient. There is no comparable data at this point to validate these expectations. LFF does not currently have a policy for facility water use.

The Administration building has low-flow toilets, automatic faucets to ensure water is turned off immediately after hand-washing, drinking water fountains with water bottle fillers, and the exterior landscaping focused heavily on low-maintenance, low-water plants that are mulched for water conservation and watered by an automatic drip irrigation system.

Solid Waste Reduction

Waste Goals

At our processing and manufacturing facilities, we are working towards achieving the international standard of “Zero Waste”, as defined by the Zero Waste International Alliance (<http://zwia.org>) which requires a waste diversion rate of 90 percent or above. In FY15, Lundberg Family Farms® comprehensive waste diversion rate was 99.6 percent. This percentage includes our facility waste as well as our rice byproducts – hulls, bran, and feed materials. While we are proud to divert so much material from the landfill, we also realize that including our byproduct doesn't give us a true

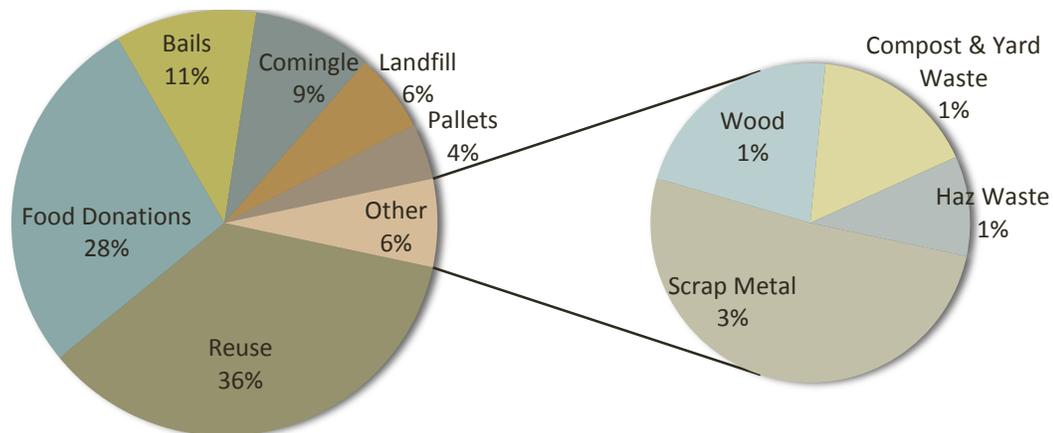


picture of the solid waste materials that leaves our facility. Which is why, for internal tracking and waste training, we remove the byproducts since they account for the majority of materials leaving our facility.

In FY15, our internal goal was to reach a 94 percent diversion rate. With the help of all staff members and the Sanitation Team, LFF achieved a 94.1 percent diversion rate which narrowly surpassed our goal. In the upcoming year LFF is working to reach a 95 percent waste diversion rate through additional waste trainings, e-board informational messages, and internal promotion of our waste programs.

Reduce, Reuse, Recycle and ReEarth

LFF began placing a large emphasis on recycling programs in 2008. In FY15, nearly 785 tons of waste was diverted with only a small portion--roughly 50 tons--ending up in the landfill. Below is the breakdown of our diverted waste:



Once our recycling program took off in FY11 and we were able to maintain consistent results, LFF reached out to new areas of improvement. The company decided to switch the focus from recycling to reusing as many materials and resources as possible. Some materials that we currently reuse are:

- Pallets are reused throughout the facility and through our pallet provider
- Packaging materials
- We reuse our outer corrugate (case) boxes for Sweet Dream[®], Thin Stackers[®], and entrée boxes in the company store to create gift “baskets” for customers rather than purchasing wicker baskets
- We have worked with CSU, Chico Recycling program to donate lightly used nylon rice sacks for use in their recycling program

Recently, through our annual waste audit, we recognized additional opportunities to reduce overall onsite materials use. As an example, in FY15 e-boards were installed for company communication in break areas and eliminated the need for paper flyers on messaging boards. We also put together a list of additional areas that could be improved in FY16. Here are some of our current and future projects:

- Change pallet wrapping materials to potentially save tons of plastic per year

- Switch to electronic kiosks for our payroll system to eliminate biweekly paystubs
- Utilize the new Rice Cakes facility to centralize production while also reducing travel time for inbound materials and outbound products.
- Reduce number of light fixtures and total lighting energy use by installing LED fixtures. This change also heavily reduces our need for fluorescent lamps which contain hazardous and hard to recycle mercury materials.



Lastly, numerous projects concerning re-earthing materials have been incorporated into our farming operations but Lundberg is working to close the loop at our Richvale facility. Throughout the breakrooms we collect food scraps which are then brought to an offsite facility and converted into green energy through anaerobic digestion. LFF landscaping waste is collected and brought to a facility that uses an open windrow composting process where materials decompose in elongated piles; every year we purchase this compost and use it in our company garden.

Zero Waste Certification

Lundberg Family Farms® has set a goal to investigate the feasibility of a USZWBC Zero Waste Certification in FY15. To help drive this project, LFF hired two Sustainability Interns to help increase waste diversion and facility waste education. In December 2014, Lundberg Family Farms® conducted an annual waste audit and a few months later the first ever Recycling Audit. The results from the audit helped convince Lundberg pursue the Zero Waste Certification. This certification offers a well-rounded approach to zero waste. It focuses on the highest and best use of materials while requiring upstream policies and supporting downstream activities. In FY16 with the help of all staff members and the Sustainability Specialist, LFF hopes to obtain the Zero Waste Certification.

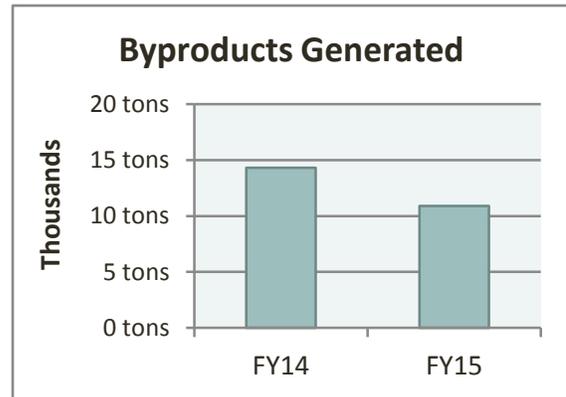
Garment Recycling Program

The Garment Recycling (GR) Program was created in FY15 to help divert another large waste component, our gloves, from the landfill. With the help of RightCycle®, the first large-scale recycling effort for hard-to-recycle gloves, Lundberg will be able to recycle about 4 to 5 tons of glove waste each year. RightCycle® takes glove recycling to a new level and turns glove waste into raw materials that are used to create useful, eco-friendly consumer products, such as plastic chairs, benches, bulk plastics and other items. In addition, the new gloves are packed into larger cases creating 51% less overall packaging by weight and the glove composition uses less plastic than traditional nitrile gloves. So far, the GR program has diverted one pallet of gloves that weighted in at 986 lbs.



Diverting Byproducts

The milling and processing of raw rice generate a significant amount of byproducts. These byproducts are in the form of either hulls or broken rice, both of which LFF diverts into new, non-food based markets. The rice hulls are sold for animal bedding to the local agriculture community and the broken rice is typically sold for livestock feed. These generation figures are kept out of our total waste & recycling figures in order to be able to gauge our progress with reducing and diverting all other materials generated onsite.



In 2011, the company began supporting research at the local community college in Oroville, CA coordinated through their MESA program. Rice hulls and straw were donated to a motivated group of students researching alternative building materials; Rice Hulls Alternative Building (RHAB) Team. As a result of LFF's donation and the hard work of the students and their mentors, the project won the US EPA P3 grant in the summer of 2011 and the group presented their project in Washington DC in the spring of 2012. This successful project has

continued and culminated in 2014 with a second trip to Washington DC to compete at an EPA event that students and mentors are hopeful could result in commercialization of their developed material. The future use of this type of building material may be an opportunity to reduce emissions and utilize a byproduct as a valuable resource. The students conducted a demonstration house construction from the rice hull material on campus in the spring of 2014. We hope to continue our partnership with the RHAB program in FY16 through material donations.

Packaging & Marketing Materials

Goals

Lundberg Family Farms'® goal is sell its rice products in the best packaging available in the market with the least environmental impact and the ability to maintain the quality and integrity of the product within it. LFF also recognizes that packaging is indirectly tied to both LFF's waste reduction goals and the goal of the marketing department to continuously respond to current market demands. Continuous improvement in



the area of product packaging is crucial to reducing the waste generated at the facility, as well as the waste that will be generated by consumers. LFF recognizes this delicate relationship and is putting its best foot forward to combat packaging challenges.

Challenges and Opportunities

At the end of FY12, all LFF one and two pound rice packages were changed to #7 plastic stand-up pouches with a Velcro seal. Much deliberation went into the decision to change the packaging from the pillow pouches to the stand-up pouches. The number one concern of LFF in this decision was the quality and integrity of the final packaged food. The company recognized a need to protect the resources which have already been invested into the product prior to packaging; without a reliable package, the rice, energy used for processing, and fuel used for transport would be lost.



While investigating options, LFF staff explored sustainable packaging options, such as compostability or recyclability, while also looking for a material that could sustain the quality of the products they housed. The material chosen was the best material available to meet all requirements. LFF recognizes that #7 packaging materials may not be recyclable in all regions where LFF products are sold. A follow up study of the material impact of the packaging change showed us that more

material is being used by weight, but the new material has a greater ability to be recycled. Most importantly, the quality and shelf presence of the new package has been very positive helping us to create less waste as we get our products onto shelves and into homes.

Even after the switch, considerations for sustainable packaging materials will continue to be on the forefront of LFF's decision making and will be incorporated in the New Product Development process. As options become available in the market, LFF will take every opportunity it can to incorporate materials in its packaging that have the least amount of negative impact on the natural world. LFF also began a process to be able to measure any substantial changes in materials. These analyses include the materials to be used, case and pallet configuration, and transportation efficiencies.

In FY14 an organizational design process lead to the creation of a new department within the Business Support Area of Focus known as Supply Chain. This development began a restructuring of current purchasing efforts into a centralized function and started with the hiring of a Purchasing Manager. Besides being an opportunity for cost savings and efficiency improvement, this change supports sustainability improvements



in several areas, including packaging and waste. In FY15 a draft of the Global Purchasing Policy was completed. In FY16 the manager will continue working toward numerous initiatives which include switching to SFI certified cardboards and creating an end-of-life recycling programs for our consumer packaging.

Labor

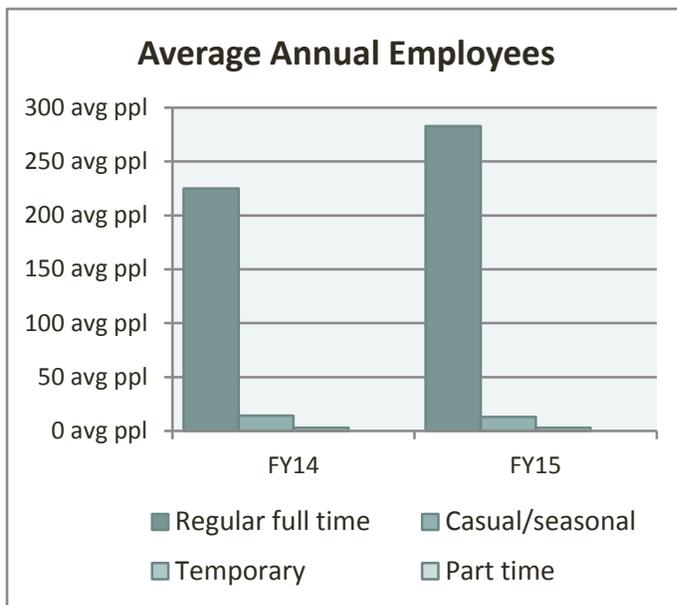
Culture

Lundberg Family Farms® is committed to sustainability in every part of the business, from working with the soil to treatment of employees. LFF establishes trust with employees by providing a friendly, open environment which encourages and rewards contributions from all employees. LFF offers multiple forums to promote two-way communication



and works hard to keep all employees aware of the areas the company is focused on. All of the company’s leaders have an open-door policy, and the CEO holds periodic meetings with line staff to hear their concerns. There are suggestion boxes throughout the company and a rewards program for good ideas, excellent performance, and above-and-beyond actions.

Each year the company conducts a survey through the Great Place to Work Institute in order to measure employee satisfaction and identify areas for improvement. The survey requires at least 50% of the employee population to participate for information to be considered valid. The FY15



survey was our 8th year of participation and identified areas for improvement in support for employee development, wages and benefits, and employee-management relationships; supporting initiatives have been built into the FY16 business plan. When asked to confirm the general statement, “this is a great place to work,” 73% of FY15 LFF employees who responded to the survey agreed. When we probed further into the decrease of the overall score, we determined that much of the decrease in overall satisfaction is due to factors related to rapid growth and change at the company in the past few years.

In FY15, LFF formalized the internal minimum wage policy which set a company floor wage. Supporting initiatives have been set for FY16 to build a Total Rewards program which will tie pay to competency grids and career development for all positions.

The company has an active Safety First Team with representatives from each department. Employees are encouraged to report safety issues and near hits. Monthly tailgate topics are reviewed at department and shift meetings.

Benefits

The company is delighted to be a rural employer that provides wages and benefits that are comparable to those in more urban settings. LFF's benefit package includes: medical and dental insurance coverage, vision discount, term life insurance, Cafeteria Plan, 401k with company match, profit sharing, employee assistance plan, seven paid holidays, paid time off, and a performance incentive plan. Employees also receive two free products per week and seasonal flu shots. The company encourages education and pays for eligible educational expenses and professional dues for its employees. In addition, employees' children receive payment for good grades.



Lundberg Family Farms® shares financial success with its employees through cash bonuses and contributions to retirement savings. A portion of the profits each year is paid to all regular employees through a cash bonus. Over the past four years, this has ranged from 2-11% of employees' base pay.

Lundberg Family Farms® also provides fresh, organic produce daily for all employees to be sure everyone has access to fresh fruits and vegetables while in the workplace and coordinates with a Bay Area vending company to provide healthy vending options for snacks, beverages and food items in the employee break areas; "healthy" guidelines are defined as organic, real ingredients, whole fruits and grains, minimal processing, low or no sugar/salt/fat options. The company also offers free smoking cessation classes to all employees on a voluntary basis and works with local gyms to offer discounted memberships. A Health Fair is held each year at the Richvale facility that brings local vendors to meet with employees on topics from insurance to adopting a pet.

Farm Labor Practices

In 2014, LFF began looking into domestic certification options for socially fair agricultural practices. Several firms were met with and there were discussions of philosophy, the services they could provide, and how a program would be implemented on our farm(s). An initiative has been put in the FY16 business plan to use the family farm as a pilot program to explore social justice certification through the Agricultural Justice Project (AJP). Lundberg Family Farms® brought the family farming operations into the company officially in 2013; the farming activities had previously

been a separate operation managed by the family. The farm employees for the family farm have always participated in the benefits offered by the company even though they have been a separate operation (health, dental, vision, retirement, paid-time-off). By using the family farm as the pilot program it is expected that we will learn a lot about the certification process and requirements and better understand how the program can be communicated and expanded to other growers.



International Labor Certification

In 2015, LFF continued fair labor sourcing of milk and dark chocolate for its Sweet Dreams® enrobed rice cakes; certification of the chocolate ingredients (cane syrup, cacao beans and cocoa butter) through Fair Trade USA is a requirement for sourcing of these ingredients. Fair Trade standards offer farmers and farm workers competitive prices, fair labor conditions, improved terms of trade as well as community development and environmental sustainability.

Animal Care

Waterfowl

Lundberg Family Farms® has been growing rice in the Sacramento Valley for over 75 years. We care about preserving the local environment which includes protecting the wildlife population that also calls this area home. There are over 235 species of wildlife that use rice fields as habitat throughout the year, among which are many species of birds that use fields for feeding, nesting and resting throughout the year. One way we support these populations is by providing our rice fields as a resting place to migratory waterfowl as they migrate through the Pacific Flyway.



From April to October lush, green rice plants grow as far as the eye can see in the fields surrounding Richvale, but during the winter nature takes over. Rice straw from the harvest is worked back into the soil and soil processes, heat from the sun, water and overwintering waterfowl help to decompose the rice straw. Fields are either planted to cover crops or flooded actively or by rainfall for waterfowl habitat. In the winter flooded fields, the

migrating birds eat leftover rice kernels and fertilize the fields for the upcoming year creating a truly symbiotic relationship between farming and nature. This seasonal wetland of winter flooded fields provides a hospitable rest stop for cranes, egrets, ducks, herons, swans, geese, and other birds. In the fields planted with “cover crops,” such as nutrient rich purple vetch, growing plants shield the soil from wind and rain and help return valuable organic material to the soil in the spring when they are chopped and tilled into the soil; the green fields of growing cover crops provide some species of waterfowl, such as geese, a dry resting spot with vegetation to supplement their winter diet.

Egg Aid

In the spring, before we ready our fields for planting, Lundberg Family Farms® continues our commitment to maintaining healthy ecosystems by staging Operation Egg Aid. Volunteers join with staff members to recover hundreds of eggs from the fields prior to mowing.



Lundberg Family Farms® has been working with District 10 Wild Duck Egg Salvage Program in rescuing duck eggs since 1993. Well over 30,000 ducklings have been hatched and released from rescued eggs since the start of the program. The District 10 Wild Duck Egg Salvage Program rescues duck eggs from fields, takes them to a hatchery where they are incubated, cared for, banded and released back into the wild when they are 5 weeks old and are able to care for themselves. Roughly 95% of the eggs collected hatch and ducklings are typically released in or near fields where they originated from; ducks often return to the same fields the following spring to repeat the cycle.

The salvaged eggs are taken from cover crops in the fields destined to be chopped and farmed to crops; unfortunately, nests would have been destroyed in order to farm the fields. Every one to three years, depending on weather and cover crop stand, LFF partners with local schools to introduce agriculture and the environment to children through efforts to collect eggs from fields: “Egg Aid” provides a fun and educational opportunity for kids to learn about rice farming and how Lundberg works to preserve and maintain the habitat for all kinds of species.

Duck Boxes

To help promote duck nesting, Lundberg created and placed over 30 duck boxes in trees that surround our Richvale facility; many of these boxes were made by Wendell Lundberg from wood recycled from operations. Wood duck females typically build their nests in tree cavities near wetlands. When a prospective cavity is found, a hen wood duck will land in the tree and carefully inspect the site for a variety of characteristics, including size, shape and security



from predators and the elements. In many areas, wood ducks have difficulty finding suitable natural nesting sites. Wood duck boxes provide a man-made alternative, where hens can nest in relative safety from predators. The deployment of large numbers of nesting boxes can be used to help increase local or regional populations of wood ducks in areas where natural cavities are limited.

Grazing Solar Sheep

Our ground mounted solar array covers about 90,000 square feet adjacent to the drying and storage facility. After installing the system in 2006, Lundberg had to decide how to maintain the vegetation that would inevitably grow in the area surrounding the panels so that plant growth did shade the panels and reduce solar generation. The facility is organic, so pesticides were not an option. There was also risk in mechanical chopping or removal since any activities would inevitably throw rocks and damage the panels. It was decided that a



symbiotic relationship with sheep was the preferred option. The sheep are Barbados Blackbelly hair sheep which have been selected because of their adaptability to hot, humid environments as well as cold climates: Richvale temperatures can reach 110s F in the summer and 10's F in the winter. The choice of hair sheep was preferred to sheep with wool because most wool sheep breeds are very picky in choice of vegetation they will eat and there are annual maintenance requirements to shear wool sheep. Goats were not considered because of the tendency of many goats to climb, escape enclosures, and be generally mischievous. The sheep do a great job in keeping vegetation low and when they eat themselves out of a job in the hot summer months their feed is supplemented with local pasture hay and the occasional rice cake.

Cats Adoption Program

Lundberg has for years had a handful of homeless cats that live near our facilities. They are a result of drop offs and dumping of kittens or unwanted pets in the rural community as well as unaltered



community pets. While feral cats may help reduce pest populations of rats, mice, and small reptiles, they can also diminish ground bird populations and create sanitary issues around a production facility. Unchecked, feral cats reproduce every spring and larger numbers around a busy production facility create a traffic safety hazard for staff as well as for their offspring. In response to this challenge, we maintain a continual effort to use live animal traps to capture feral cats and kittens in order to have them spayed or neutered, vaccinated, and find homes for those that can be domesticated. Over the past few years roughly 12 cats have been adopted by caring staff members; in FY15 four kittens were caught and forever homes

have been found for them with three different families. The LFF Field and Research Nursery has two domestic cats who work to keep the research greenhouses rodent free; these cats were once feral and have been team members for about ten years.

Sustainability Education

Consumer Outreach

Consumer outreach and education is important to the success of LFF's products and brand, helping to connect consumer values to the products that best meet those concerns. It is integral to the success of the brand to communicate as clearly as possible the value proposition of the Lundberg Family Farms® brand of rice products, and how their sustainability efforts should influence consumer purchasing decisions. The core of the sustainability efforts are focused on the farming/growing of LFF's base ingredient, rice, and how LFF are stewards of the natural environment by protecting the air, land, water, and wildlife through low-impact farming methods and dedication to the organic and non-GMO movements.

Internal Outreach

LFF communicates the efforts of the company to reduce its carbon footprint through on-site solar electricity, purchase of renewable energy credits, efforts to increase recycling, incentives for carpooling, and reductions in overall resource consumption. LFF conducts employee orientation for every new employee on their first day which includes, but is not limited to, employee safety, employee benefit programs, food safety, and sustainability programs. Employee meetings held throughout the year include presentations from the Continuous Energy Improvement (CEI) Team as well as Zero Waste activities. Specific goals and activities of the CEI Team and Sustainability Specialist were targeted to employee education and communication in FY15 through one-on-one interactions, shift meetings, e-board signage, and employee meetings.



Governance & Community Engagement

The Environmental Department is within the Administration Area of Focus and the Sustainability Specialist reports directly to the VP of this division. The Sustainability position was filled in FY15 to help rejuvenate the environmental programs at LFF after being rescoped in FY13 and FY14. The department actively seeks best practices and efficient methods for tracking and evaluating all sustainability programs within the company. Currently, waste and energy metrics are tracked based on PG&E and Northern Recycling and Waste Services



records with the intention to continuously improve the Key Performance Indicator metrics to ensure that realistic goals are set, the goals are then met, and to offer further transparency to all vendors and consumers.

Environmental updates are done at all new employee orientations and bi-monthly (every other month) employee meetings. Project-based meetings with environmentally focused groups also help to incorporate perspective from all of the key departments into the environmental initiatives and helps bridge the environmental department with the rest of the organizations departments; the Continuous Energy Improvement Team and Zero Waste trainings at shift meetings are an example of this communication.

Community Engagement

Lundberg Family Farms® provides product donations to organizations in the community through an online request process that was developed in FY14 as an improvement over the prior donations committee process. Donation requests and pick-up are coordinated through Consumer Response staff. Use of the multipurpose facility was also donated to several groups in FY15 to support organic education, sustainable agriculture, public schools and water education. Tours for the public include local 3rd grade classes and homeschool students who learn about organic agriculture, healthy food and growing plants during their visit.



Company employees are members of boards and committees including those of the California Department of Food and Agriculture, California Certified Organic Farmers, The Organic Center, California Warehouseman Association, California Rice Commission, Western Canal Water District, Northern California Water Association, California Rice Research Board, California Rice Research Foundation, Rawlins Sustainability Advisory Board, and University Agricultural Advisory Boards. Employees are encouraged to participate in community events, including career day activities at local schools.



Stakeholder meetings take place throughout the year. Full company employee meetings are every other month or more frequent. Grower meetings take place quarterly. Stockholder meetings occur twice a year, in January and June, and the CEO conducts quarterly updates by phone for stockholders. Board meetings occur monthly and progress towards company business goals, including sustainability metrics, are reviewed quarterly.

Overall, Lundberg Family Farms® is committed to preserving the natural environment that has allowed the rice crops and family business to survive since 1937 and is excited by the opportunities on the horizon.