

A Letter From Our President

The year 2018 marked Gaia's 31st year in business and was an incredible year of growth at our company, making "growth" an appropriate theme for our 2018 Sustainability Report. Financial growth and profitability are critical to our business, as they enable us to continue sharing our products with more people and invest in our sustainability programs. At Gaia Herbs, growth also encompasses how we expand our social impact programs, how we nurture and care for the earth, and how we cultivate and grow our dedication to the health, happiness, and professional development of our employees. In this context, profit is not a means to an end, but a vehicle to grow our mission: To cultivate health and well-being by stewarding the sustainable relationship between plants and people.

In 2018, we continued to focus on the health of the Gaia Farm. The farm provides approximately 20% of the raw materials that we use in our products, and also serves as the foundation of our Employee Wellness Program. The Gaia Farm also serves as a living laboratory to educate our community about herbalism and sustainable farming methods. We continue to strengthen our Regenerative Farming Program, gathering data to reinforce the Gaia Farm's ability to sequester carbon from the atmosphere, and laying the groundwork for important work ahead.

Last year, we also grew our operational efficiency by investing in new hires, continuous improvement processes, and breaking ground at our new facility location in Mills River, NC. This project will invest more than \$12 million in the local economy of Western North Carolina by 2021. More than 30 new jobs will be created during this time, at an average wage that exceeds the average wage in the county for full-time employment. The increased operational capacity will enable Gaia to meet the demands of a rapidly growing industry, and support Gaia in sharing more of its high-quality herbal supplements with customers across the country.

Also in 2018, Gaia Herbs became a Certified B Corporation®, joining other purpose-driven companies leading a global movement of People Using Business as a Force for Good™. B Corp Certification signals commitment beyond product integrity, to include environment, community, and employees all as valued stakeholders. Gaia Herbs has modeled these tenets from our beginnings, and is honored to join with so many other conscious organizations in this work.

I am incredibly proud of our team at Gaia and the successes we saw in 2018. In our fourth annual Sustainability Report, Gaia is proud to share the progress of our sustainability initiatives, which are based on our commitment to People, Plants, Place, and Purpose. Thank you for your interest in our efforts. We hope reading this report leaves you inspired and uplifted.



With gratitude,

Angela McElwee President, Gaia Herbs





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Plants Plants are critical to the ecological health of the environment and can unlock the true potential of personal well-being. At Gaia Herbs, plants are our lifeblood, and our connection to them is reflected within every aspect of our business. Gaia-grown[™] Ginkgo 1

Regenerative Farming Practices

Carbon traps heat, raising global temperatures. Luckily, soil traps carbon. Building the Organic matter of the soil allows plants to effectively utilize CO₂ as food, removing it from the air and capturing it in the soil. The higher the soil Organic matter, the more potential for the soil to act as a carbon "sink."

Since purchasing the Gaia Farm 20 years ago, we have been dedicated to sustainable farming methods that improve soil health. In 2018, Gaia formalized our Regenerative Farming Program, which confirmed that our soil management practices have yielded very high soil Organic matter on the Gaia Farm. By farming our land Organically, we capture 1,225 tons of CO₂ every year.

Our Regenerative Farming Practices Include:

- Cover Crop Rotation: We practice continued cover crop rotation throughout the year.
- Soil Building: After harvest, we turn any plant residuals back into the soil.
- Herb Crop Rotation: We rotate our crops annually or every other year to prevent nutrient depletion.
- Biodiversity Management: We plant an average of 6.5 million plants a year, representing 25 species of medicinal herbs and 125 species of fruits and vegetables, which supports a strong and balanced ecosystem.
- Soil Fertility Plan: Twice a year, we apply a simple blend of plant-based ingredients that act as probiotics for the soil.



Fights Climate Change

Organically rich soil stores carbon from the atmosphere



Produces Nutrient



Promotes Crop Resiliency

Plants are more resistant to droughts, floods, and pests



Protects the Purity



Encourages Biodiversity

Soil microbes and Organic settings



Secures **Supply Chain**





Pollinator Prosperity

Pollinators and plants have a symbiotic relationship. Pollinators such as birds, bees, bats, beetles, butterflies, and small mammals enable plants to make seed that is essential for their survival — and ours. Plants, on the other hand, act as a food source for the pollinators, allowing them to flourish.

On the Gaia Farm, we grow a number of pollinator-friendly plants, ensuring the health of our 200 beehives and encouraging more pollinators to thrive. And since we use these plants in our products, our customers benefit too. Each year, we continue to explore ways to encourage even more pollinator biodiversity through our Pollinator Prosperity program.



Certified Monarch Waystation

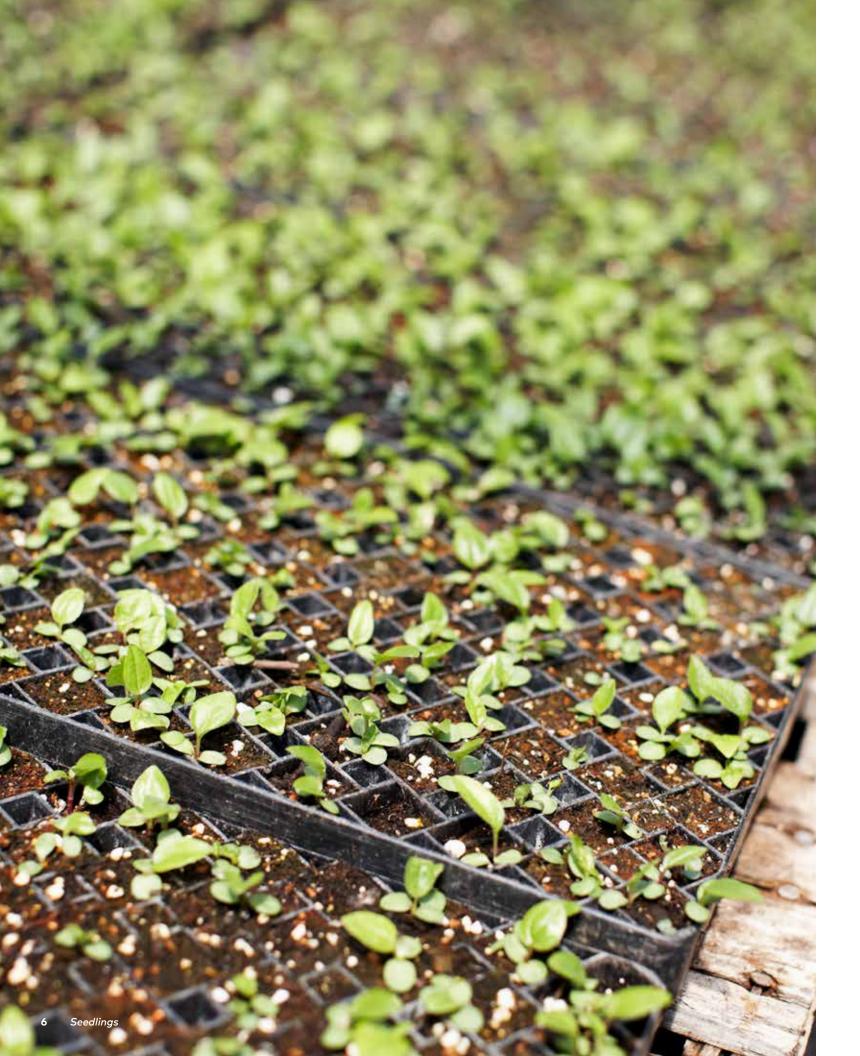
Monarch butterflies are one of the most important pollinators, but their future survival is threatened by habitat loss and the widespread use of herbicides and insecticides. In 2017, Gaia Herbs became a certified Monarch Waystation. We provide necessary food and habitat for migrating monarch butterflies on our farm by planting dozens of Swamp Milkweed plants (*Asclepias incarnata*), a source of essential nectar for the butterflies and a place for them to lay eggs.

Certified United Plant Savers Botanical Sanctuary

The increasing popularity of herbal medicine has intensified pressure on wild medicinal plant populations, putting many native species at risk. Gaia Herbs is proud to be a member of the United Plant Savers Botanical Sanctuary Network. The mission of United Plant Savers is to preserve, conserve, and restore native medicinal plants and their habitats of the USA and Canada to ensure an abundant and renewable supply for future generations.









Seeds of the Future

Medicinal herbs face an uncertain future. For example, an astounding 93 percent of the wild plants used in Traditional Ayurvedic medicine are on the verge of extinction.⁽¹⁾

Saving our seeds is essential to ensure that we can continue being stewards of Nature's vitality. Gaia Herbs envisions the creation of a secure supply chain of medicinal herbs and seeds that will guarantee future generations can enjoy the bountiful power of these plants.

Why We Save Seed:

- **Consistent Quality:** We can depend on the bioactivity and yields of plants by saving seed from the best-producing plants, year after year.
- **Regional Adaptability:** We are gradually developing varieties that are better adapted to our unique growing conditions on the Gaia Farm.
- **Financial Savings:** We reduce the amount of seed we need to buy, which helps us minimize price increases on our products.
- Seed Security: We become stewards of our own seed supply, rather than relying on the larger seed trade. That's crucial, because hundreds of varieties of seeds have been lost over the years due to large seed corporations only focusing on a handful of varieties. By saving seed, we can count on growing future generations of medicinal herbs.

 $^{^{\}mbox{\scriptsize (1)}}$ https://blogs.scientificamerican.com/extinction-countdown/ayurveda-out-of-balance-93-percent-of-medicinal-plants-threatened-with-extinction/



Sustaining Herbalism & Keeping Traditions Alive

Medicinal plants are steeped in history, and a resounding body of research supports the integral role they play in our complete well-being — mind, body, and soul. From East Indian Ayurvedic Medicine to Traditional Chinese Medicine to Traditional European Herbal Medicine, herbalism has played an important role in healing modalities across the globe.

Bringing this traditional knowledge to modern consumers is a privilege that Gaia Herbs honors. We are deeply committed to ensuring that the practice of herbalism continues to thrive throughout the world.

The Nature of Science: The Gaia Herbs Laboratory

There is so much to learn from Nature, and the Gaia Herbs Laboratory is our gateway to those lessons. Every ingredient in our products is screened and validated in our state-of-the-art onsite laboratory. We pledge to continue investing in science and technology, keeping our products safe for our consumers and the environment, while staying at the forefront of plant-based well-being.

Clean Ingredients: The Way Nature Intended

You can always trust that what you read on a Gaia Herbs label is what you will find in the bottle — and nothing else. Our industry-leading validation process ensures that our herbal products are authentic, as they are confirmed for identity, and that they are safe, as all of our products are screened for heavy metals, harmful pesticides, and microbial contaminants.

We Support Sustaining Herbalism by:

- Creating robust herbal education programs, both online and in-person, to educate our retail partners, consumers, and health practitioners on the role that herbs play in overall health.
- Working with herbal farming communities around the world through our responsible
- impact sourcing programs, demonstrating that herbal farming supports thriving communities.
- Being a leading advocate for the scientific integrity of herbalism, with a dedicated Scientific Advisory Board of eight naturopathic and medical doctors.



Our Commitment to Plants



People

People have the power to do some of the greatest good to this earth. Gaia Herbs is dedicated to supporting the health and well-being of our employees, our customers, and the communities we partner with worldwide to spread ripples of good around the globe.

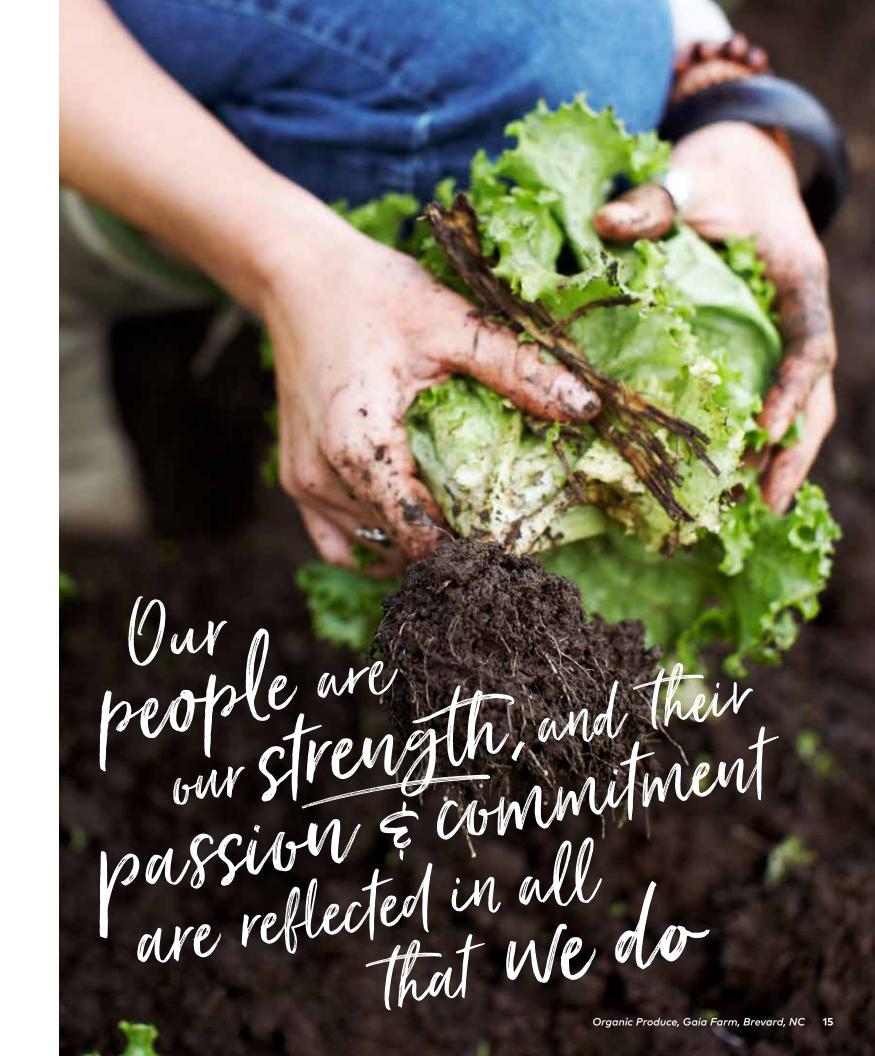


Employee Well-Being

Employees are the heart and soul of any business, which is why it's so important to treat them right. Gaia People, Culture, and Wellness Department is dedicated to providing employees with the best-quality care and creating an inclusive environment where all employees can flourish. Gaia is proud to be a Living Wage Employer. We are certified by the Living Wage Coalition of Transylvania County, part of Just Economics — the nation's largest advocacy group for the fair-wage movement. Investing in our people not only improves their personal quality of life; it helps to promote a sustainable and just future for our entire region.

Our Wellness Program Benefits Include:

- Free Employee Supported Agriculture Program: 12 acres of the Gaia Farm are dedicated to vegetables and fruits for our employees. Three times a week during the growing season, our breakrooms turn into a mini-farmers' market, and employees go home with bags of fresh, Organic vegetables and fruit.
- Volunteer Time Off: Gaia provides 16 hours of paid time for all regular employees to spend volunteering for a local non-profit organization; we support our employees in supporting our community. A few times throughout the year, Gaia also organizes volunteer opportunities.
- Paid Time Off: Employees enjoy paid time off, wellness time, and paid holidays. On average, our employees receive four weeks per year of paid time off to rest and regenerate.
- Paid Parental Leave offered for both the primary and secondary parents in the first year, including adoption.
- Free Organic lunches are provided two times a week during the growing season, prepared by our Wellness Chef. We source the vegetables from the Gaia Farm and with other local farmers in the region to create healthful, delicious meals.
- Free Yoga classes are offered twice a week onsite, plus goat yoga!







Global Botanical Partner Network

Finished product manufacturers can choose to buy their raw ingredients off the open market through a middleman, or they can buy directly from people they know and trust.

At Gaia, our responsible business practices have guided us over the last thirty years to build a strong local, national, and global Botanical Partnership Network comprised of farmers, land steward harvesters, and manufacturers we have met, vetted, and deeply trust. We rely on these partnerships to help achieve our mission of connecting plants and people.

Gaia Herb Farmers

It is estimated that over three million seasonal farm workers labor in the United States every year. They play a crucial role in bringing American consumers abundant, fresh, and affordable produce and herbs.

Each year, through the H2A visa program, Gaia employs approximately 40 farm workers who make the journey from San Luis Potosi, Mexico to spend the growing and harvesting season on the Gaia Farm. Many of them have Organic farming operations in Mexico and continue to come back to the Gaia Farm year after year. The relationship is mutually beneficial: They help us plant, tend and harvest our herbs, while we help them build upon their deep knowledge of medicinal farming and processing.

At Gaia, we strongly believe in having policies that ensure seasonal workers are treated fairly, including enjoying fair wages and having access to safe housing.

The Heart of Farming

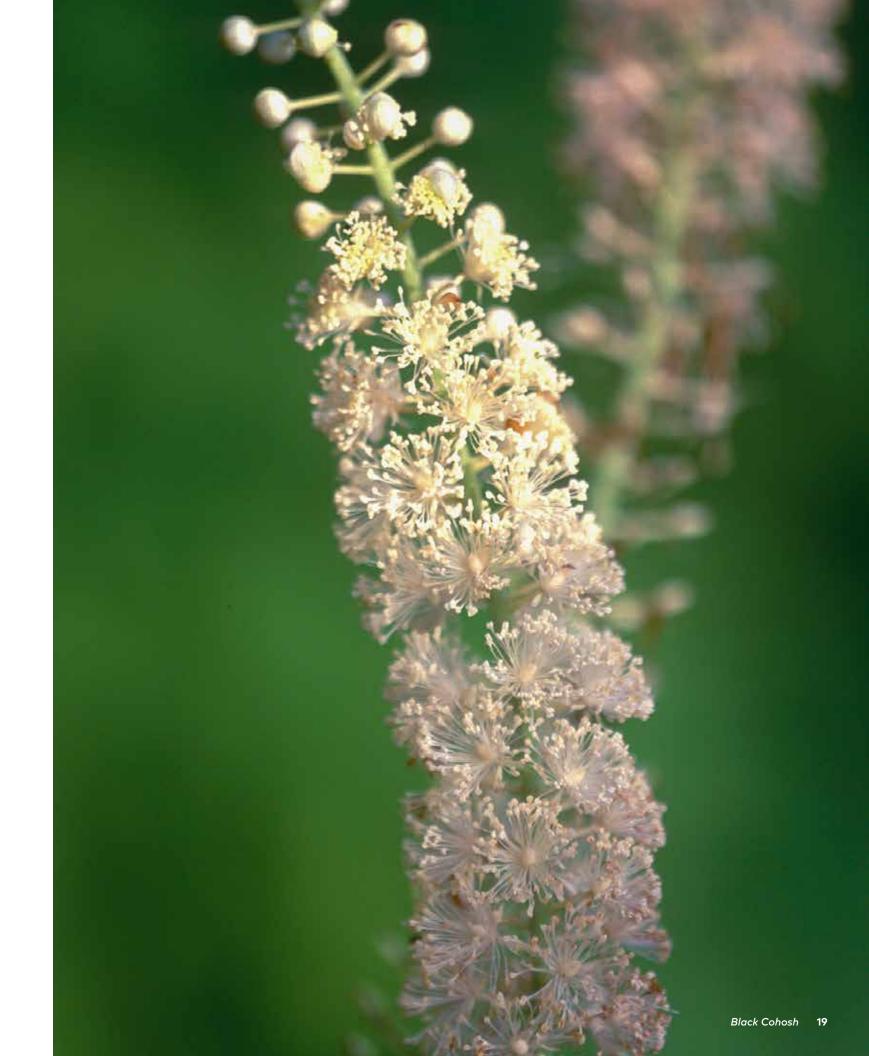
Farming is the largest industry on the planet. If we as a global society change how we farm, we have the power to impact millions of people. The first step is to keep it small. Small farms have several advantages over large-scale, industrial agriculture: They foster biodiversity, increase food security, support fair trade, protect family farmers, and can even mitigate climate change. (1)

Many of the farmers in Gaia's network are small land holders, cultivating less than five acres. In 2019, we will continue our work of supporting small Organic farmers around the world and help them prosper through our Gaia Herbs Social Impact Program.

Agroforesty

Not all farming happens in fields. Many medicinal plants are grown in the understory of forests, including plants that are native to Southern Appalachia, where Gaia is located. Agroforestry, also called forest farming, is an essential component of a global solution to the growing demand for food and medicine, the need for sustainable land use, and the necessity to preserve forests worldwide.

Gaia Herbs is honored to be a part of the Appalachian Beginning Forest Farmer Coalition. This network of people and organizations is working to build a coalition of new and beginning forest farmers across Appalachia and beyond. The goal is twofold: to increase awareness of forest-grown medicinal plants and to act as stewards of the earth to ensure there is a viable future for the native plants of Appalachia.



 $^{^{\}mbox{\scriptsize (1)}}$ https://www.nationalgeographic.com/environment/future-of-food/photos-farms-agriculture-national-farmers-day/

Our Commitment to People





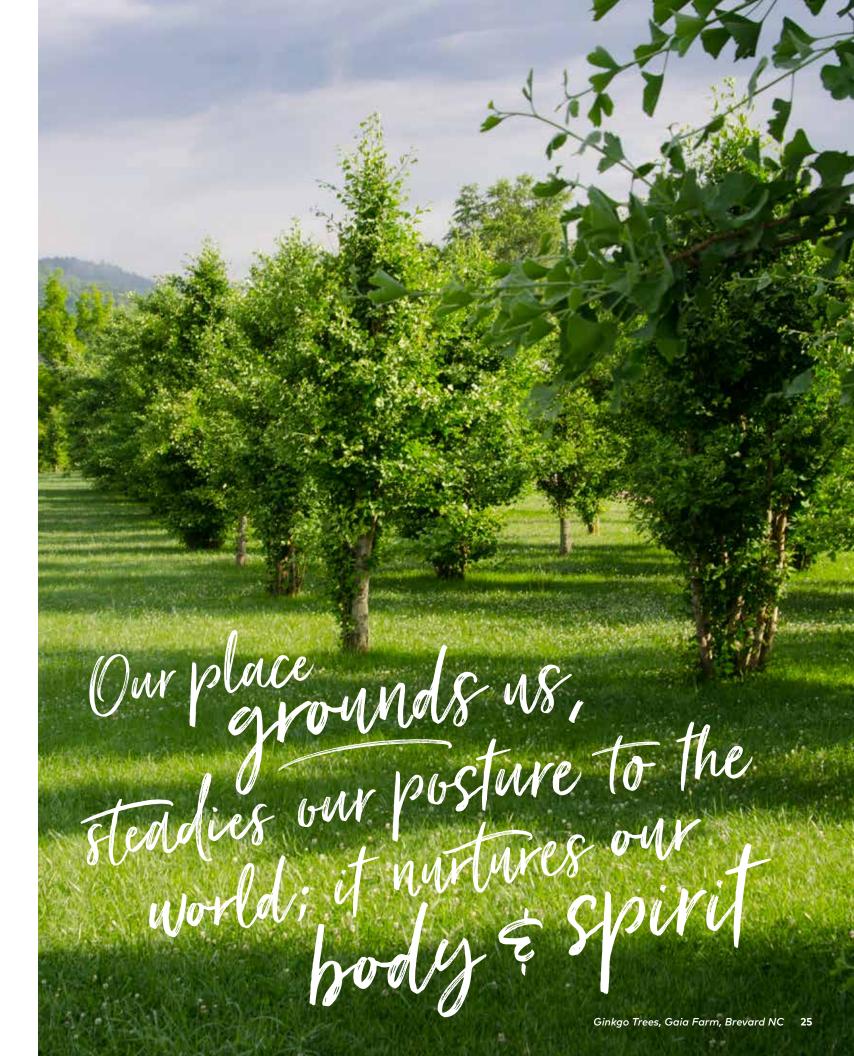


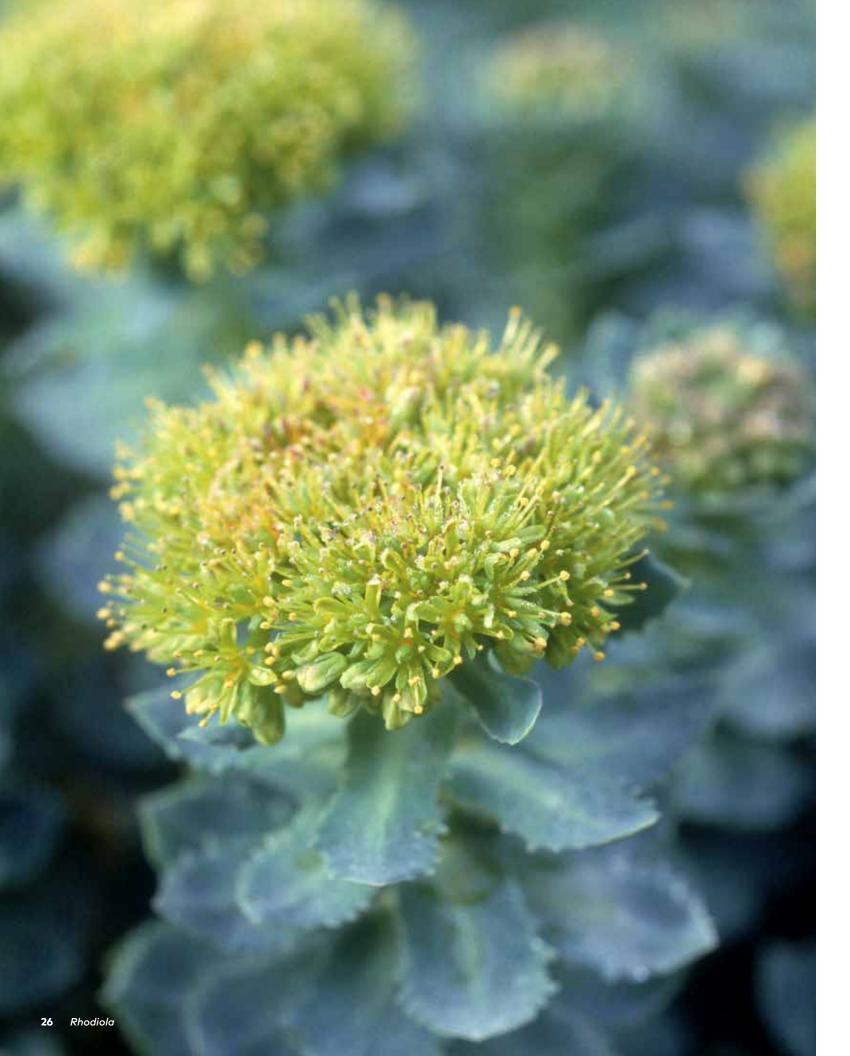
The Magic of the Gaia Herbs Farm

Our connection to place starts on our company's 350-acre certified Organic farm, nestled in the Blue Ridge Mountains of North Carolina. The moment you step onto the Gaia Farm, Hawthorn and Ginkgo trees — symbolizing the Heart and Mind of Gaia Herbs — greet you with their beauty and wisdom. We chose this place for its rich alluvial soil and amazing biodiversity.

On the Gaia Farm, we grow fields of flowering Echinacea, fragrant Lemon Balm, and brilliant California Poppy, all nourished by the clear mountain waters flowing through our Certified Organic Farm. We nurture and observe each plant, allowing it to flourish in the sun until the right moment to harvest. By mirroring the growing conditions of Nature, we ensure the purity, potency, and integrity of the plants we use from birthplace to bottle.

Our home in Southern Appalachia is a region beaming with natural wonder: The Blue Ridge Parkway runs close to the farm, Pisgah National Forest is located just five minutes away, DuPont State Recreational Forest is our backyard, and the Great Smoky Mountains National Park is a quick trip to the west. We chose Brevard, North Carolina, as our permanent home for these reasons, and for the opportunity to be stewards of the land in a region that is endowed with such unique attributes. Nestled in the oldest mountain range on earth, the Appalachian Mountains, plants thrive here and we are able to grow an array of medicinal plants from different areas of the world, including Traditional Chinese and Ayurvedic herbs. Brevard is also home to the world-famous (at least we like to think so) white squirrel, and we are lucky to have many of these beautiful creatures frequenting our farm.







Honoring Our Collective Global Roots

Herbalism is deeply embedded in communities around the world, both as a resource for personal use as well as a means to make a living through herbal farming and wild harvesting.

Seventy percent of the herbs that Gaia uses come from other countries — from Spain to Indonesia and China to Austria. The only continent we don't source from is Antarctica. Gaia Herbs is acutely aware that we are bringing centuries-old traditions to a new market and that the potential for exploitation is high. Therefore, we are conscious in the ways that we work with communities around the world. As we spread the goodness of herbs, we are dedicated to respecting these communities' cultural heritage and upholding our shared reverence of herbalism.

Our Sourcing Approach for a Thriving Global Community:

- Transparency & Traceability: We commit to full transparency and traceability in our supply web. Our pioneering MeetYourHerbs® platform enables our customers to trace the journey of every herb in all our products, from seed to shelf. By entering the ID number on the bottle, they can instantly learn where the herbs were grown and harvested, and they can be rest assured that our products are safely produced without the use of pesticides and other toxins that can damage our bodies and the earth.
- Regenerative Land Management: We are committed to working with our global suppliers to ensure that the land they steward is managed in an ecologically responsible way, including prioritizing Certified Organic raw material. Each year, we travel to meet with our global partners to build these partnerships and align are mission.
- Social Impact: Training, educational programs, and peer mentor networks are key to ensuring that herbal farmers and communities prosper. In 2019, we are embarking on growing our social impact programs across our supply chain through deeper engagement with our suppliers and partner network, including universities, non-profits, and governmental agencies.



Our Commitment to Place



Purpose

Every business should have a purpose beyond the bottom line. The single-minded pursuit of profit that so many businesses have embraced has caused real damage to individuals, communities, and ecosystems across the world. Gaia Herbs believes that as a brand, we must make bold choices about what we stand for and what type of future we want to create. Since our humble beginnings in 1987, we have held a single higher purpose close to our heart: To awaken the connection between plants and people.



B Corp[®] Certification: Using Business as a Force for Good[™]

Gaia Herbs is proud to announce that in 2018, we became a Certified B Corporation®. We now join other purpose-driven companies that are leading a global movement of People Using Business as a Force for Good™ and working to tackle our world's most pressing problems. We believe that our responsibility as a business is to do well by doing good, and to help create a better world through our actions.

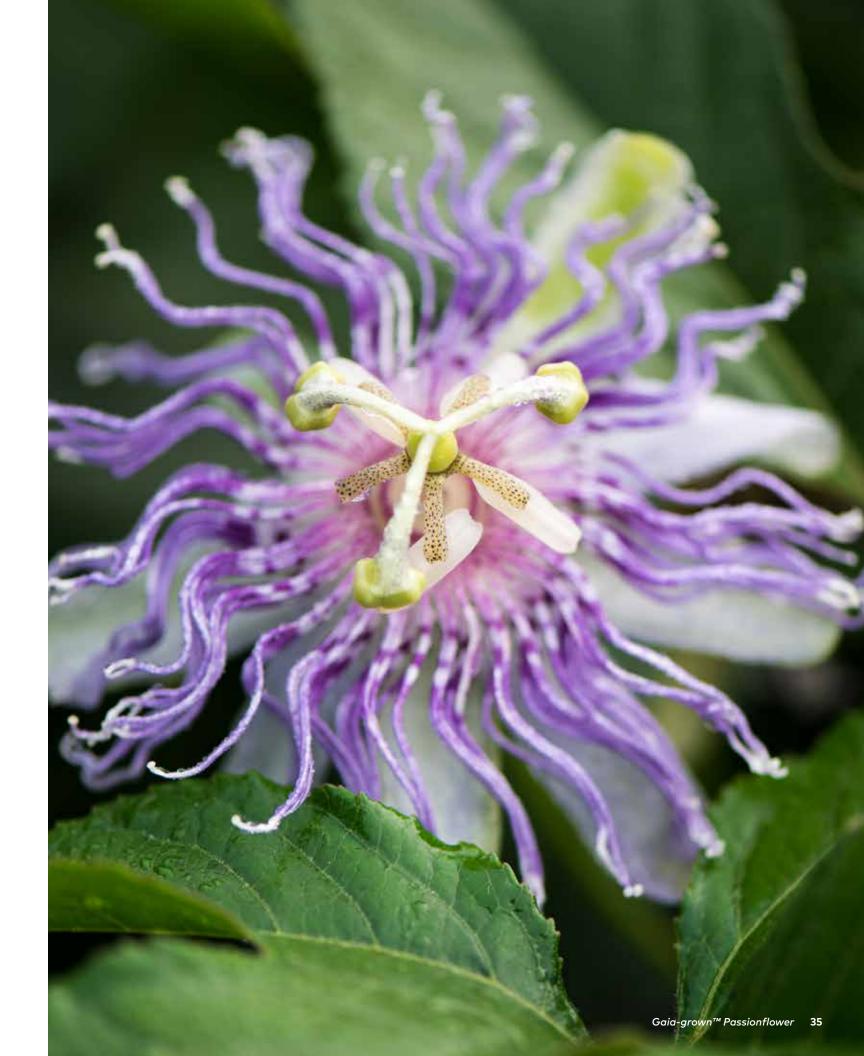
Every year, we aim to increase our B Impact Score across the four impact areas of governance, workers, community, and environment. We are dedicated to elevating our commitment and accountability to deepen our impact work across all aspects of the organization.

The B Corp Declaration of Interdependence⁽¹⁾

We envision a global economy of People Using Business as a Force for $Good^{\mathsf{TM}}$. This economy is comprised of a new type of corporation — the B Corporation — Which is purpose-driven and creates benefit for all stakeholders, not just shareholders.

As B Corporations and leaders of this emerging economy, we believe:

- That we must be the change we seek in the world.
- That all business ought to be conducted as if people and place mattered.
- That, through their products, practices, and profits, businesses should aspire to do no harm and benefit all.
- To do so requires that we act with the understanding that we are dependent upon another and thus responsible for each other and future generations.



⁽¹⁾ https://bcorporation.net/about-b-corps



Conscious Leadership: Sowing the Seeds of Tomorrow

Gaia Herbs is leading a regenerative revolution of earth, community, mind, and body. Guided by conscious leadership models, we are re-envisioning the ways that businesses function within our society — supporting the world's ecosystems, local communities, and our own employees.

Gaia Herbs Behavioral Values

Conscious leadership means creating a work culture that cultivates the health of the body, mind, and spirit of all our employees. In 2017, we developed the Gaia Herbs Behavioral Values, which represent what we value most as a company and serve as a guide for our employees and business decisions.

Every quarter, we recognize and honor five Gaians who have been nominated by their colleagues for embodying one of the Gaia Herbs Values. We call these our Hawthorn Awards, representing the heart of what it means to work at Gaia.

Creativity: Transformation. Challenge. Inspiration. Conviction

• Generate and implement innovative ideas that create transformational solutions.

Diversity: Respect. Dialogue. Collaboration. Appreciation

• Treat our colleagues, customers, and vendors with respect and acceptance.

Relationships & Community: Celebrate. Encourage. Shared Intentions. Participate

• Recognize successes, and acknowledge failures as opportunities to grow and learn.

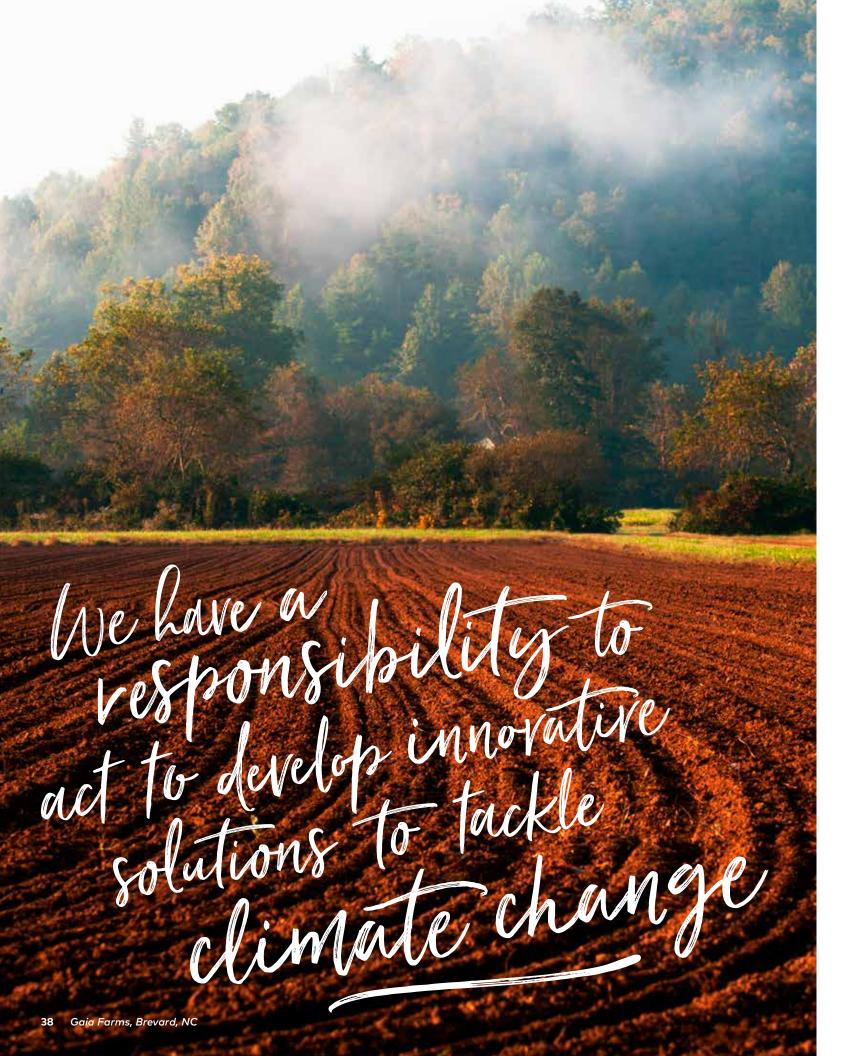
Responsibility: Quality. Results. Accountability. Integrity

• Seek continuous improvement focusing on high-quality processes and outputs.

Sustainability: People. Planet. Nature. Self

· Positively impact the well-being of people, plants, and planet, while creating prosperity.







Reversing Climate Change

Climate change is the biggest threat our planet faces, and bold steps are needed if we are going to successfully tackle this challenge. Gaia Herbs is part of the Climate Collaborative, a natural products industry organization that helps businesses join forces to reverse climate change. Through the assistance of the Climate Collaborative, we are continuing to refine our strategies in the areas highlighted below to tackle climate change.

Climate Collaborative Commitments:

- Agriculture: Agriculture is at once a significant source of the greenhouse gas emissions that are wreaking havoc with our climate and also one of the most powerful tools available to us to reverse climate change.
- Energy Efficiency: Energy efficiency not only slows climate change, it saves companies money, boosts job creation, and limits harmful power plant pollution.
- Policy: Scientists agree that if the earth warms more than 1.5 degrees Celsius, it will trigger dire consequences for the planet. Strong public policies must be in place to ensure we make the progress necessary to stay below the critical 1.5 degrees limit.
- Renewable Energy: Increasing the use of renewable power is one of the most critical ways to fight climate change, as it reduces the production of greenhouse gases.
- Forests: Businesses that commit to reversing deforestation can help slow climate change, protect communities and indigenous peoples, restore watersheds, and support biodiversity.
- Packaging: On average, packaging accounts for about 5% of the energy used in the lifecycle of a food product, making it a significant source of greenhouse gas emissions. Ensuring sustainable packaging design is an important step in aligning our business strategies with climate action.

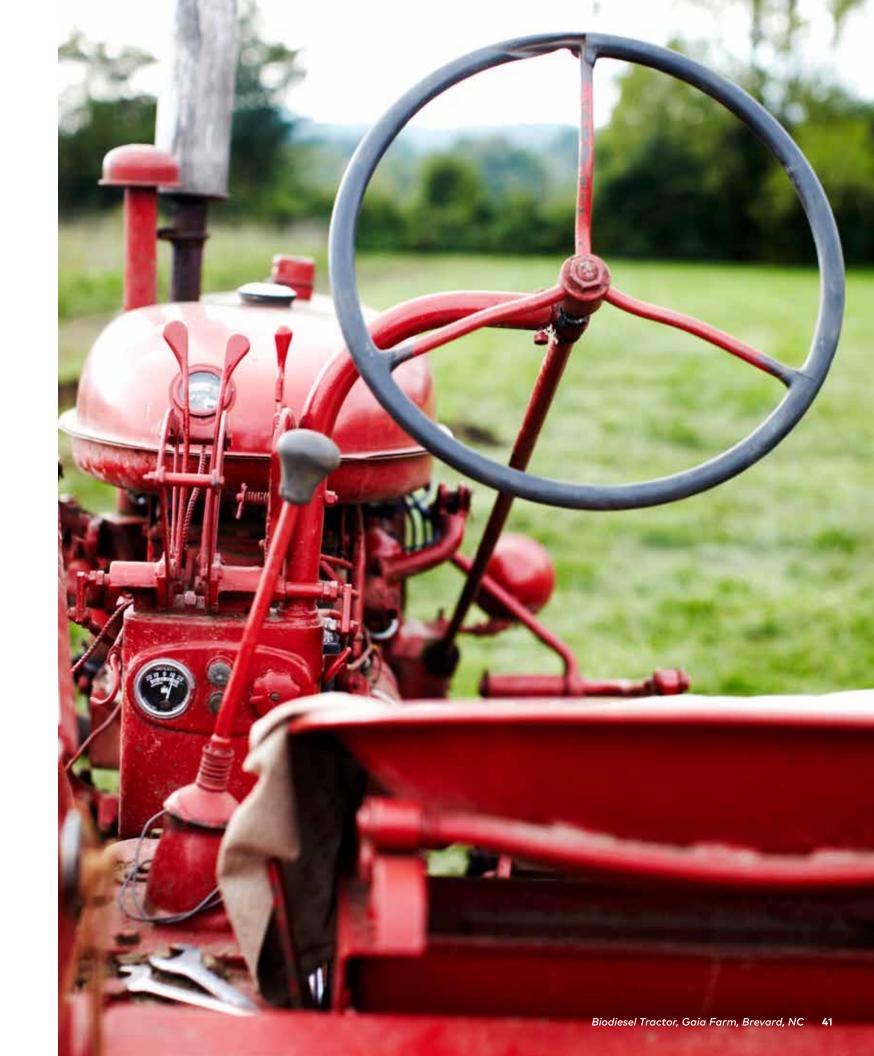
Reducing Waste & Preserving Natural Resources

Waste reduction saves natural resources, decreases environmental impact, fights climate change, and has the additional benefit of saving money.

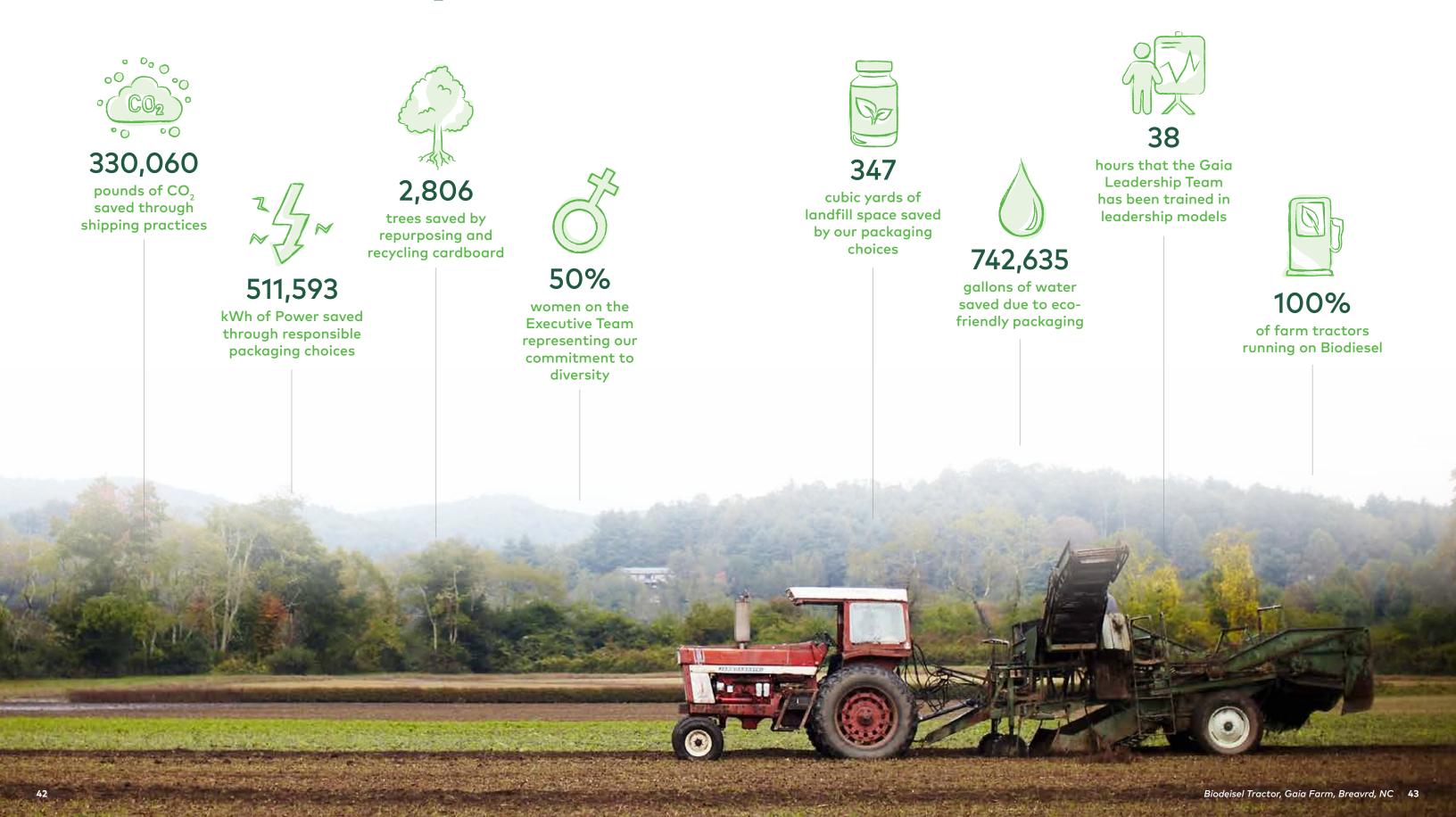
As a purpose-driven company, reducing our corporate footprint, including waste, is one of our top goals for 2019. We are excited to embark on a full waste audit of all our facilities and begin the process of setting goals to be landfill-free.

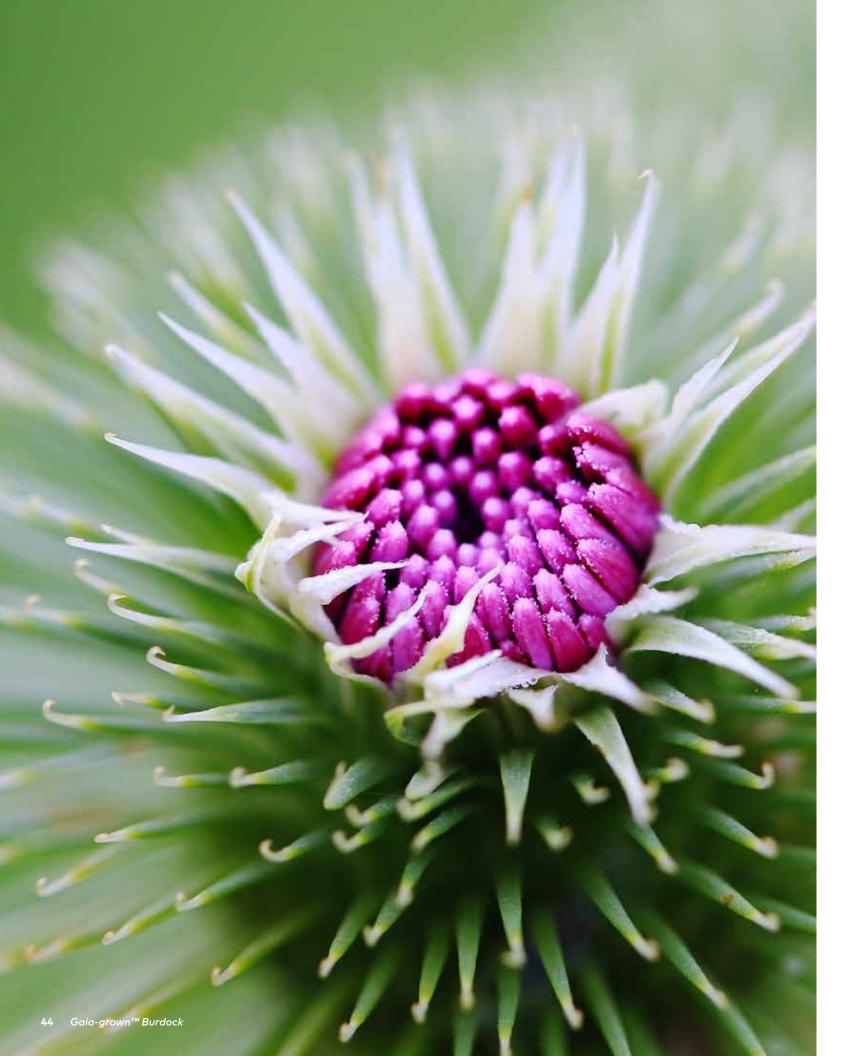
We Make Conscious Choices to Keep Our Planet Healthy Through:

- Closed-Loop Corrugate Shipping Program: Since 2011, we have worked with Pratt Industries to obtain our shipping boxes, working in a closed-loop system that not only saves forests from deforestation but also saves water, reduces landfill waste, and decreases CO₂ emissions.
- **Packaging Choices:** Our cartons are made from 100% recycled paperboard sourced from FSC-certified forests.
- Paper Choices: We use TreeZero™ paper a no-tree, carbon-neutral source of paper as our standard copy paper. TreeZero™ is made from bagasse, a dry pulpy residue left after the extraction of juice from sugar cane.
- Gaia Farmhouse Composting: In 2016, we implemented a composting program at our Gaia Herbs Farmhouse. We only use compostable dishes, utensils, and cups for company events, and we ensure all compostable material is disposed of correctly. This year, we are exploring how to expand our composting program to all company facilities.
- **Biodiesel:** We purchase Biodiesel from Blue Ridge Biofuels for use in all our tractors on the Gaia Farm. This biodiesel is made from recycled vegetable oil that Blue Ridge Biofuels picks up from local restaurants in Western North Carolina.



Our Commitment to Purpose







Looking Forward

2019 will be a year of discoveries and milestones, further ensuring that as we grow as a company, sustainability remains at the forefront. Here are the concrete steps we are taking in 2019 towards this goal:

- We are embarking on our first Environmental Impact Analysis to understand our Greenhouse Gas emissions. From this information, we will be able to set long-term operational goals, including waste reduction and increased use of renewable energy.
- We are strengthening our Gaia Herbs Social Impact Program, allowing us to achieve greater impact in the areas that matter most.
- This year, we will align our operational strategies with key UN Sustainable Development goals, helping us work towards a common global vision of ending poverty and other deprivations by 2030.
- 2019 is the first calendar year that we will be a Certified B Corporation®. We already have exciting plans to further integrate into the B Corp community and strategize how we as a group can take radical steps to positively transform our society through business action.

We are proud of where we have come as a purpose-driven company, and we look forward to the journey ahead. Thank you for your continued support. We couldn't do it without you!



Our Valued Partners

Plants:





















People:















Place:









Purpose:













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