SUSTAINABILITY REPORT

2022

ELEPHANTS CARES

We remain committed to the values that we established in 1979: Serving great local foods from scratch and delivering an **amazing** dining experience to our guests while operating as a sustainable business in our community.

It's been quite the year. As the severity of the pandemic continued to ease, Elephants saw significant increases in production, staffing and revenue. So, too, the increased consumption of resources, and the increased generation of both emissions and waste. As much as we can wish these are separable, they are inextricably linked – more always begets more.

And yet, with a few exceptions, increases in resources and emissions lagged the increases in productivity and revenue. Electricity and natural gas stand out in this regard, representing some of our strongest performance in reducing consumption and mitigating impact. And that's with the addition of two properties. Water, though rising by a higher percentage, remained below baseline*, if not necessarily below expectation. We saw similar results with the corporate fleet – relatively modest increases in mileage and emissions point toward better delivery management overall. And in each of these areas, it was the efforts of employees that made all the difference.

Two areas that saw unexpected rises are refrigerant leaks and food waste. With refrigerant leaks, one significant incident tilted 2022 from low to high emissions; still, efforts to monitor refrigeration, helped mitigate the effect overall. As regards food waste, there were multiple factors involved, some of which are still being investigated and monitored. Yet, when patterns emerged later in the year, management across the company moved swiftly to prevent excess waste from reaching the landfill.

**Many of the sections refer to baselines. These baselines represent the highest levels of use for a one-year period, and are used for the purpose of comparing different years. Established baselines do not account for differences in operations or in size of company footprint.*

LOOKING AHEAD: 2023 AND BEYOND

In the year ahead, initiatives to mitigate our environmental impact include:

- **Continued participation in the Strategic Energy Management program**, and reconsideration of existing energy reduction goals;
- **Establishment of a comprehensive water management plan**, with revised focus, goals, and practices;
- **Establishment of a comprehensive refrigerant management plan**, to initiate a transition to less emissions-intensive operations;
- **Establishment of a fleet management plan**, to guide reduction and mitigation efforts through 2028;
- **Waste audits for all locations**, to better understand the scope and challenges of our waste disposal practices;
- **Expansion of our food donation and diversion efforts**, to better mitigate the negative social and environmental impacts of food waste;
- **Translation of existing and future policies and plans into Spanish**, to expand accessibility for employees and stakeholders;
- **Implement more consistent tracking of our actions and practices**, to better understand and measure their impacts;
- **Perform a material environmental impact assessment**, for the entirety of our operations, which in turn will inform review of the Environmental Management Plan. This assessment is intended to be more expansive than previous efforts, to identify risks within our supply chain and end user practices and impacts.

Is this ambitious? Yes. Even more so when we consider that this is not an exhaustive list. But that's a reflection of who we are as individuals, and as a company. Always striving to achieve more – in food and food safety, in customer service, and in understanding and mitigating environmental impact.

WATER USE

A primary goal for 2023: the development of a comprehensive water management plan, one intended to establish new goals and performance metrics and that includes wastewater management.

The primary drivers of increased water consumption are the increases in production and higher levels of consumption at all metered locations. However, our water management wasn't just about increased consumption, an expected result of increased activity and expansion. Efforts by our Maintenance team, and by employees across the company, helped curb that increased use. Some of those efforts were based on source reduction – improvements to flow rates for dipper wells and faucets – and some were based on mitigation – general water awareness and source maximization in cleaning and sanitation practices.

Water use for Milwaukie Kitchen was estimated at 615 CCF. This is not included with total water use as the information is provided via billback (and with modest gaps in information). Use will continue to be tracked and it is planned to be included with future metrics as it is expected to correspond to reduced consumption at CK. Water use for non-metered locations is not actively tracked at this time. Tracking will be implemented with inclusion of Scope 3 emissions reporting, beginning in 2025.

A primary goal for 2023 is the development of a comprehensive water management plan, one intended to establish new goals and performance metrics and that includes wastewater management. As this comes into focus, we will need to identify 3-4 employees interested in assisting with rollout and oversight. This small team, based in part on the successes of our Energy Team, will help with identifying and inculcating water-wise practices, and with developing employee resources and training curricula for use at all locations.

These actions for 2023 will prove crucial in the years ahead. Based on 2022's use, and the addition of Milwaukie Kitchen, Elephants is expected to surpass the current baseline consumption metric by the end of 2024. While crossing this threshold is not necessarily a problem in and of itself, it may prove challenging in the face of increasing water use/stormwater rates and increased competition for potentially dwindling water resources in the Pacific Northwest.

Total Use = 3,219 CCF (cubic feet of water), or 2,868,031.2 gallons
Corporate water use increased by 518 CCF/460,052.0 gallons, or +16.1%, versus the previous year.

- **NW 22nd** – 1,274 CCF, an increase of 17 CCF/XX12,716.9 gallons, or +1.3%
- **Central Kitchen** – 1,727 CCF, an increase of 458 CCF/342,607.8 gallons, or +26.5%
- **Headquarters** - 134 CCF, an increase of 18 CCF/13,464.9 gallons, or +13.4%
- **LeftBank Annex** – 84 CCF, an increase of 59 CCF/44,135.1 gallons, or +70.2%

Baseline for water use, 4,431.0 CCF/3,314,618.4 gallons, is the 2018-19 fiscal year (July 1 through June 30). Corporate water use for 2022 was 1,212 CCF/906,639 gallons below baseline, or -13.5%.

ELECTRICITY

Energy use, consisting of electricity and natural gas, is the largest driver of emissions in our operations, representing approximately 80% of the total.

The drivers of increased use vary by location. For example, CK's increased use is attributable to increased production, whereas South Waterfront's increase was due to 2022 being that location's first full year of operation since 2019. Looking in the opposite direction, the decrease recorded at Uptown is attributable to consistent reductions in monthly consumption beginning in May, as well as improvements made to the HVAC system, specifically to the evaporator and dampers. Fox Tower, too, saw multiple factors contributing to electricity reductions. The primary factor was October's renovation and the replacement of aging equipment. If initial findings hold, Fox's future electricity draw projects to be 30-35% below pre-renovation levels.

We saw continued progress in conversion of lighting fixtures to LED, a goal in our Environmental Mangement Plan, and sustained efforts around the company to use equipment like dishwashers more efficiently – fewer, fuller loads draw less energy and water, a double win.

One element of future electricity use – the installation and operation of digital menu boards – will need to be monitored to account for impact on energy consumption. It is imperative that these boards be operated only during hours of business/service to keep increased consumption to a minimum.

The Energy Team has already gotten a jump on efforts for 2023. In January team members met with our Strategic Energy Management coaches to perform an Energy Management Assessment, the first performed since early 2020. The EMA found significant improvement in our energy management practices, ranking prominently among our SEM peers. Recommendations from that assessment will be coupled with goals already established by Energy Team leadership, to further our efforts in effective management of electricity.

Total Use = 1,778,366 kilowatt Hours (kWh)
Corporate electricity use increased by 118,055 kWh, or +6.6%, versus the previous year.

- **NW 22nd** – 456,500 kWh, a decrease of 38,300 kWh, or -7.7%
- **Central Kitchen** – 644,717 kWh, an increase of 28,153 kWh, or +4.6%
- **South Waterfront** – 119,109 kWh, an increase of 48,741 kWh, or +69.3%
- **Fox Tower** – 80,246 kWh, a decrease of 2,265 kWh, or –2.7%
- **Corbett** – 200,000 kWh, an increase of 1,160 kWh, or +0.6%
- **Headquarters** – 148,080 kWh, an increase of 6,560 kWh, or +4.6%
- **LeftBank Annex** – 82,538 kWh, an increase of 26,830 kWh, or +48.2%
- **Milwaukie Kitchen** – 17,480 kWh
- **Lake Oswego** – 29,666 kWh

Electricity use for non-metered locations is not actively tracked currently. Tracking will be implemented with inclusion of Scope 3 emissions reporting, currently targeted for no later than 2025

Baseline for electricity use, 2,200,224.0 kWh, is the 2016-17 fiscal year (July 1 though June 30). Corporate electricity use for 2022 was 421,858 kWh below baseline, or -19.2%.

NATURAL GAS

Minimizing use of natural gas will be important in the years ahead, both in terms of environmental impact and projected higher energy costs.

Primary drivers of increased use are the two properties most recently added to the portfolio. Where increases occurred with existing buildings, the likeliest contributor was increased activity. And yet, those increases were basically nullified by reductions at CK and Headquarters. Though not all those reductions were anticipated, it still points toward effective management of natural gas. Overall, unexpectedly great results.

But, as with water, natural gas use is expected to surpass baseline within the next 24 months. This is due to the addition of properties, compounding further expected increases at existing locations. Efforts to minimize use of natural gas will be important in the years ahead, both in terms of environmental impact and higher energy costs.

Total Use = 93,185.8 therms
Corporate natural gas use increased by 4,328.2 therms, or +4.6% versus the previous year.

- **Central Kitchen** – 42,139.4 therms, a decrease of 3,819 or –8.3%
- **Corbett** – 12,325.1 therms, an increase of 1,400.3 or +12.8%
- **Headquarters** – 3,616.5 therms, a decrease of 807.4 or –18.3%
- **NW 22nd** – 26,078.1 therms, an increase of 2,891.2 or +12.5%
- **LeftBank Annex** – 1,125.7 therms, a decrease of 782.1 or –41.0%
- **World Trade Center** – 1,980.1 therms, an increase of 95.0 or +5.0%
- **Milwaukie Kitchen** – 3,810.8 therms
- **Lake Oswego** – 2,110.0 therms

Natural gas use for non-metered locations is not actively tracked currently. Tracking will be implemented with inclusion of Scope 3 emissions reporting, no later than 2025.

Baseline for natural gas use, 117,593.0 therms, is the 2016-17 fiscal year (July 1 though June 30). Corporate natural gas use for 2022 was 24,407.2 therms below baseline, or -20.8%.

FLEET VEHICLES

Increased efforts in route planning, oversight, and the introduction of Onfleet delivery software contributed greatly to minimizing consumption.

The increase in corporate mileage was expected, just as was the increased consumption of water, energy, and natural gas. This is due in part to increases in catering and delivery business; however, increased efforts in route planning, oversight, and the introduction of Onfleet delivery software contributed greatly to minimizing the effect. Further work with Onfleet is expected to garner ever stronger results in the years ahead.

A team assembled by our CEO has been working on developing a fleet management plan. Though the final plan is not yet ready, it is expected to be finalized and approved later this year, and to be shared with the company soon after. Facets of the proposed plan include transitioning to renewable diesel for vehicles already in the fleet (demonstrated to have a significantly lower level of emissions than traditional and blended fuels), gradual electrification of the fleet, and the further utilization of Onfleet for delivery planning.

Total Use = 139,546 Road Miles Driven
Corporate mileage increased by 30,729 miles, or 22%, compared to the previous year.

- **Corporate Fleet (trucks and vans)** – 73,949 miles, an increase of 2,885 miles, or 3.9% (71,064 miles in 2022)
- **Employee Mileage** – 64,714 miles, an increase of 26,962 miles, or 42.0% (37,752 miles in 2022)

Note - Corporate fleet does not include mileage from rental vehicles. Tracking of rental vehicle mileage will be implemented with inclusion of Scope 3 emissions reporting, no later than 2025.

Baseline for corporate mileage, 241,839 road miles driven, is the 2018-19 fiscal year (July 1 through June 30). Corporate mileage for 2022 was 102,293 miles below baseline, or -42.3%.

REFRIGERANT LOSS

Refrigeration is essential to any food business: We can't store or produce food safely without it. But like any other large appliance, refrigerators start to fail over time. And when they do, they can leak harmful refrigerants.

Unfortunately, 2022 ranks as the 4th highest total of refrigerant leaks in terms of emissions. Though all leaks have an outsized impact in terms of emissions, it was the event on November 10th that stands out. It was the largest event in Elephants' history of tracking, and the effect is startling - 171 metric tons of emissions. As a point of comparison, this one event had the same environmental impact as driving round trip from Portland to Seattle, every day for 3 years and 4 months.

And yet, despite that one major event, refrigeration leak management has been sound overall. Identifying faltering equipment in a timely manner has helped keep release events to better levels than whence we started tracking. The replacement of equipment at Fox Tower will have a tremendous impact in controlling future emissions, essentially eliminating what had developed into a recurring leak issue in recent years.

The development of a comprehensive refrigeration management plan is already underway, informed by guidance from the US Environmental Protection Agency, the North American Sustainable Refrigeration Council, and the Kigali Amendment to the Montreal Protocol. Adoption is expected later this year and is intended to work in tandem with our energy management efforts. In the meantime, the most effective actions we can take to prevent or mitigate refrigerant links is checking equipment – especially older equipment – and reporting temperature issues when found. Doing so tackles 3 issues simultaneously – emissions reduction, safe food storage, and prevention of food waste.

Of note: R290, the refrigerant involved with the modest leak at Lake Oswego, is purified propane. Propane, along with ammonia and CO2, is commonly identified as a sustainable refrigerant due to its low global warming potential of 3. For comparison, the GWP for CO2 is 1, and the GWP for R404A is 3,922. What these numbers represent is the varying levels of intensity of the respective refrigerants. Think of this as 1 pound of propane as equal to 3 pounds of CO2 in terms of emissions, whereas 1 pound of R404A is equal to 3,922 of CO2 (nearly two tons of GHG emissions). We can expect to see these lower GWP refrigerants in new equipment purchases in the years ahead.

Refrigerant Loss by Type:

- **R22/HCFC22** – 3 pounds, or 2.5 metric tons in GHGe • R-134A – 9.5 pounds, or 6.2 metric tons in GHGe
- **R404A** – 140.5 pounds, or 250 metric tons in GHGe
- **R407C** – 10 pounds, or 13.65 metric tons in GHGe
- **R290** - .25 pound, or .0003 metric tons in GHGe

Refrigerant Loss by Location:

- **Central Kitchen** - 96 pounds of R404A
- **Headquarters** – No reported leak events
- **NW 22nd** – 3 pounds of R22/HCFC22, 1.5 pounds of R134A, 34 pounds of R404A, and 10 pounds of R407C
- **Fox Tower** – No reported leak events
- **Corbett** – 6 pounds of R134A
- **South Waterfront** – 2 pounds of R134A, 9.5 pounds of R404A
- **PDX** – No reported leak events
- **World Trade Center** – No reported leak events
- **LeftBank Annex** – No reported leak events
- **Milwaukie Kitchen** – No reported leak events
- **Lake Oswego** - .25 pounds of R290

Significant Release Events
This section was added as a result of our most B Corp recertification, in response to questions

- **1/10/22** - 3 pounds of R22
- **1/12/22** - 3 pounds 404A
- **2/23/22** - 6 pounds R407C
- **4/25/22** - 8 pounds of R404A, 4 pounds of R407C
- **6/10/22** - 6.5 pounds of R404A
- **7/26/22** - 4 pounds of R404A
- **9/22/22** - 10 pounds R404A
- **11/3/22** - 10 pounds of R404A
- **11/10/22** - 96 pounds of R404A

Tracking of refrigerant loss involves all equipment within the company's control. Tracking of systems that fall outside of direct company control will be implemented with Scope 3 emissions reporting, no later than 2025.

Baseline for refrigerant loss, 505.5 metric tons of emissions, is the 2017-18 fiscal year (July 1 through June 30). Refrigerant loss for 2022 was 238.05 metric tons of emissions, or -47.1%, below baseline.

GREENHOUSE GAS EMISSIONS

Greenhouse gases are the gases emitted into the atmosphere that contribute to the greenhouse effect and climate change.

THEY ARE CLASSIFIED INTO 3 SCOPES:

- **Scope 1 emissions** – These are direct emissions, from equipment and processes wholly under the control of the operator. For our operations these are the use of natural gas, emissions from corporate fleet activities, and refrigerant leaks.
- **Scope 2 emissions** – These are indirect emissions, associated with the consumption of other forms of energy. For our operations this is restricted to electricity, and is based on the emissions from the production of that electricity (we assume responsibility in exchange for use).
- **Scope 3 emissions** – These are emissions from activities outside of our operations. As the EPA describes, these are the emissions both upstream and downstream from our activities. Examples include emissions from delivery of water, delivery and manufacture of goods through supply chains, and emissions from generated waste (garbage/solid waste, recycling, and compost). Further information about Scope 3 will be found in the subsequent section.

SCOPE ONE AND TWO

Carbon Intensity, a comparative measurement of emissions to revenue and an element of the B Assessment, landed at 54.5. This represents a decrease of 44.9 basis points from the previous fiscal year. This represents not only the best decrease in carbon intensity, but also the company's best performance to date using this metric.

So, what does carbon intensity mean exactly? In the most basic sense, the calculation is intended to directly compare emissions from operations with revenue generated by those emissions. The calculation is total Scopes 1 and 2 emissions divided by revenue rounded to the nearest million.

As noted previously, if not for the significant refrigerant release event in November, emissions for 2022 would represent one of the lowest totals since tracking began. Yes, consumption of resources increased, but concerted efforts, as a company and as individuals, helped keep that growth in check.

Reduction goals established in 2020 will be central in the review of the Environmental Management Plan. The full review itself, also known as a material impact assessment, will be performed over the next 12-18 months, though revised targets are expected to be available prior to 2024.

SCOPE THREE

Formal tracking of Scope 3 emissions will begin no later than 2025. However, there is one element of Scope 3 emissions that we can currently track – water use. The verified total of water consumption, 3,219 CCF, carries an estimated emissions value of 9.9 metric tons. For comparison, this is roughly the equivalent of driving a passenger car for one year.

Greenhouse gas emissions for 2022 totaled 1,254.0 metric tons (MT).
Total Scopes 1 and 2 emissions increased 49.4 MT, or +4.0%, versus the previous year.

Scope 1 Emissions, by Type
- **Fleet Vehicles** – 58.3 MT
- **Refrigerant Leaks** – 267.45 MT
- **Fuel Combustion** – 493.0 MT

Scope 2 Emissions, by Type
- **Electricity** – 435.25 MT

Note: Scope 2 electricity emission calculation accounts for regional power sourcing. Unrevised electricity emissions were 769.0 MT.

Baseline for Scopes 1 and 2 emissions, 2097.4 MT, is the 2017-18 fiscal year (July 1 through June 30). Total Scopes 1 and 2 emissions for 2022 were 843.4 MT below baseline, or –41.2%.

WASTE MANAGEMENT

Waste audits for locations with contracted services are planned across the spring and summer, followed by similar audits for all other locations.

Waste management is used as an encompassing term for our waste disposal and diversion practices. When we refer to recycling, compost, garbage, and food waste, we're discussing waste management. This section is broken down into four categories:

- **Contracted Services** – Encompassing all recycling, compost, and garbage services provided by Republic Services for Central Kitchen/HQ, NW 22nd, and Corbett, and GSS for LeftBank Annex.
- **Non-Standard Waste** – Encompassing all voluntary and routinely-tracked waste diversion practices, as well as hazardous material disposal.
- **Retail Food Waste and Donation** – Encompassing food waste and diversion practices for all retail locations.
- **Production Food Waste** – Encompassing all food waste recorded at production facilities.

CONTRACTED SERVICES

The following is a breakdown of categories of contracted services, in estimated weight and percentage of total waste generated:

- **Co-Mingled Recycling** – 475,581 pounds - 50.1% of total output
- **Organics/Compost** - 212,155 pounds - 22.3% of total output
- **Glass** – 12,528 pounds - 1.3% of total output
- **Solid Waste** – 251,177 pounds - 26.3% of total output
- **Total estimated weight** – 951,441 pounds

These percentages are in line with waste history and trend. The percentage of solid waste ticked up slightly – our target is 25% solid waste/75% diverted waste. This slight change is not necessarily indicative of a change in trend; rather, it more likely suggests a slight change resulting from increased levels of waste generation. Calculations of current waste generation and diversion will be performed periodically throughout 2023 to ensure a change in trend is not occurring.

Waste in all forms is expected to increase further in 2023, as a reflection of increased activity and production. To mitigate these increases, it is essential to adhere to best practices – ensuring contaminants are kept out of co-mingled recycling, organics, and glass. Waste audits for locations with contracted services (CK/HQ, Uptown, Corbett, MK, and LeftBank Annex) are planned across the spring and summer, followed by similar audits for all other locations. This provides Elephants with the best opportunity to ensure best practices are followed. Additionally, a review and reconsideration of existing resources and training materials for employees will be undertaken, to better ensure everyone is responsibly disposing of waste for the entire company.

NON-STANDARD MATERIALS AND HAZARDOUS WASTE

The following information captures estimated weights of materials recycled through services not provided by Republic, Waste Management, and Gresham Sanitary Service. These are materials collected around the company and funneled through HQ for proper disposal.

- **Document Destruction** – 2,730 pounds
- **E Waste** – 475 pounds
- **Light Bulbs** – 170 pounds
- **Batteries** – 54 pounds
- **Polystyrene** – 75 pounds
- **Scrap Metal** – 550 pounds
- **Equipment, Donated and Recycled** – 330 pounds
- **Non-Standard Plastics** – 87.5 pounds
- **Cooking Oil** – 37022.7 pounds (estimated)
- **Hazardous Waste** – 232.1 pounds

Altogether, 41,726 pounds of additional materials were successfully diverted from the waste stream. This is an increase of 21,774.68 pounds from the previous year.

Baseline for non-standard materials and hazardous waste disposal, 54,222 pounds, is the 2018-19 fiscal year (July 1 through June 30). Total additional materials diverted in 2022 was 12,496 pounds below baseline, or –23.1%.

The main drivers of increased waste diversion were financial in nature – in order to curtail unnecessary expenses, some disposal activities, such as hazardous waste disposal, were postponed in 2020 and 2021, and resumed in 2022. Waste diversion practices and totals are expected to expand further in 2023, as a reflection of increased efforts and capacities.

We are in the process of renovating our collection center at headquarters, to better ensure proper, safe storage of these materials. With that also comes the opportunity to increase our additional diversion practices, with information to be shared with the company as it comes into focus.

FOOD WASTE AND DONATIONS

Calculations of retail food waste and donations are obtained through review of point-of-sale records for each location, and then combined.

- Recorded Food Waste, at Retail Value - $361,532.61
- Recorded Food Donations, Retail Locations Only, at Retail Value - $240,187.02

We elected to not include the cost valuations for waste and donations. These valuations will be included with future annual reporting.

Given changes to the tracking and valuation, 2022 is the tentative baseline for future comparison. This is not expected to have any immediate effect other than to provide a point of comparison; however, this value, once confirmed as baseline, will be used for development of future reduction targets.

PRODUCTION FOOD WASTE

Food waste is actively tracked by production personnel, and reported on a monthly basis as facet of inventory. This segment of waste generation is limited to financial cost.

- Recorded Food Waste, at Cost - $48,785.43, an increase of $27,984.53, or 57.4%, versus previous year.
- Recorded food waste was $22,130.29 over baseline

The previous baseline for production food waste, $26,655.14, was the 2019-20 fiscal year (July 1 through June 30). The recorded total for 2022 now sets a new baseline year for future comparison.
Aside from some specific, unusual events (removal of aged inventory, required disposal of misdated goods discovered during a health inspection), the likeliest drivers of increased food waste were increased item costs for raw materials and increased production. Additionally, heightened awareness in recording food waste – ensuring that all waste is properly recorded – likely contributed to the higher total cost.

Note - Estimated weight is calculated utilizing the EPA's Volume to Weight Conversions for Solid Waste, the standard measurement in the United States since 2016.

Baseline for contracted services, 2,117,118 pounds of total waste, is the 2018-19 fiscal year (July 1 through June 30). Total contracted waste for 2022 was 1,165,677 pounds below baseline, or –55.1%.

All information provided has been reviewed and is reported here as the summary of tracked impacts, as required by the company's status as a registered Benefit Corporation in the state of Oregon. This report has not been peer-reviewed.