



ROAD TO
REGENERATION

CORPORATE CONSCIOUSNESS REPORT

2016

FETZER
V I N E Y A R D S





WINE GETS **BETTER WITH AGE.**

WHAT IF THE EARTH COULD, TOO?

At Fetzer Vineyards, we have a nearly 50-year history of Earth-friendly winemaking. As we look ahead to the future, we are accelerating our efforts - with the goal of leaving the Earth better than we found it.



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PIONEERING REGENERATIVE WINEMAKING

Dear Friends,

As we approach our 50th year of doing business and crafting our flagship wine, Fetzter, it is my pleasure to share our first-ever sustainability report, Road to Regeneration.

In the five decades since our company was founded by the pioneering Fetzter family, we have worked hard to cultivate the sustainability practices shared here in greater detail. While we realize there is much work that remains to be done, we are proud to share our stories and milestones, and look forward to the opportunity to

communicate our continued progress as we look ahead.

A REGENERATIVE APPROACH

At Fetzter Vineyards, our commitment to minimizing our environmental impacts and to enhancing employee and community well-being runs deep, and that includes taking a



thoughtful approach to everything from water and waste management to how we farm and enhance the lives of those around us. Ultimately, we aim to give back more than we take from the world. This means we'll work to restore, revitalize and regenerate ecosystems and communities while producing sustainable growth for our business and shareholders. In order to demonstrate these commitments, we became a certified B Corporation in 2015. B Corps are for-profit companies certified by the nonprofit B Lab to meet rigorous standards of social and environmental performance, accountability and transparency.

REFLECTING ON 2016

2016 was a year balanced by progress and inward focus, as we continued to enhance wine quality while asking ourselves challenging questions about how we can play an even greater role in supporting communities and the environment. Concurrently, we set ambitious goals such as our aim to be Net Positive in our operations – synonymous with achieving a positive corporate footprint – by 2030, and continued to track progress across key performance areas. Highlights from the year 2016 include the following:

- Installed a regenerative wastewater system, named an Environmental Leader Project of the Year.
- Became CarbonNeutral® certified.
- Grew our B Impact score from 80.5 to 95.1.
- Received Wine Enthusiast's 2016 "American Winery of the Year" Wine Star award for Bonterra Organic Vineyards, the first time the award was given to a brand focused on organic viticulture.

“WE KNOW THAT GROWTH AND A REGENERATIVE APPROACH AREN'T MUTUALLY EXCLUSIVE, AND WE ARE PLEASED TO SHARE MORE OF THAT VISION IN THIS REPORT, IN HOPES IT WILL INSPIRE OTHERS.”
- GIANCARLO BIANCHETTI, CEO FETZER VINEYARDS



LOOKING TO TOMORROW

At Fetzter Vineyards, we know that transforming our future requires not just small, incremental steps toward sustainability, but rather an ambitious framework – like regenerative development – applied to every part of our business. We're poised to take more bold steps towards this vision of a regenerative, Net Positive company, and to be part of the movement to redefine what responsible business is all about. As a Net Positive business one day, we'll know that every time someone buys a bottle of our wine, they're literally making the world a better place.

It remains my honor and privilege to lead this remarkable team and company, and I'd like to take this moment to thank the growers and suppliers, members of the trade and customers whose partnership enables us to make positive impacts year after year.


GIANCARLO BIANCHETTI, CEO OF FETZER VINEYARDS

TAKING A STAND
SINCE
1968



LOCATION	Hopland, California
EMPLOYEES	288
CASE PRODUCTION	Approximately 2.6 million
PORTFOLIO	Fetzer, Bonterra Organic Vineyards, 1000 Stories, Anthony’s Hill, LBD, Adorada, Relay, Sanctuary, Beckon, Jekel and Palo Alto
CERTIFIED B CORPORATION	We’re proud that as a B Corporation, Fetzer Vineyards is certified to be better for the environment, better for communities and better for workers. See our B Impact Report



GREAT WINE HAS CHARACTER. OURS ALSO HAS PURPOSE.

Fetzer Vineyards is an award-winning purveyor of wines from sustainable, organic and biodynamic grapes, and is the largest winery in the world to be named a Certified B Corporation. A pioneer in sustainable winegrowing, we aim to consistently evaluate our business to find ways to become ever more resourceful, innovative and ultimately regenerative, because we know continual improvement is the key to a truly sustainable tomorrow. As we approach our 50th year of doing business in 2018, we are reminded of the many decisions and milestones along the way that have shaped our values and driven us to champion sustainability – first by the founding Fetzer family, trailblazers in California winegrowing, and in the years since by our employees, partners, stakeholders and current ownership, Viña Concha y Toro.

SUSTAINABILITY MILESTONES

- 1968** Founded with an Earth-friendly ethos by the Fetzer family, trailblazers in California winegrowing.

1987 Inspired by our organic vegetable garden, began farming wine grapes organically.

1990 Began tracking and reducing waste.

1993 First wine from organic grapes released as “Bonterra by Fetzer,” later simply known as “Bonterra.”

1999 Switched to 100% renewable energy at our Hopland winery, the first U.S. wine company to do so.

2001 Obtained Biodynamic® certification from Demeter U.S. for a number of our Mendocino County vineyards.

2005 Became first winery to report and verify greenhouse gas emissions with The Climate Registry.

2006 Installed a significant solar array comprising 75,000 square feet of panels, numbering 4,300.
- 2008** Received the first Enhanced Environmental and Economic Leadership Award from the California governor.

2014 Following years of waste reduction, became Zero Waste certified by the U.S. Zero Waste Business Council.

2015 Became the world’s largest winery certified as a B Corporation.

2015 Named the first recipient of the California Green Medal Leader Award, developed by the California Sustainable Winegrowing Alliance (CSWA), the California Wine Institute and others.

2015 Presented carbon neutral winegrowing best practices at the official Business Forum for COP21, the Paris Climate Talks.

2016 Became certified CarbonNeutral®.

OUR COLLECTION

FETZER

PIONEERS IN SUSTAINABILITY

The iconic Fetzer Valley Oaks Cabernet Sauvignon and Sundial Chardonnay are American classics, standing for quality and Earth-friendly practices.



The Fetzer collection includes a focus on quality winemaking, which led to a remarkable 10 Wine Enthusiast “Best Buy” commendations for Fetzer wines in the 2015-2016 period.



Bonterra

ORGANIC VINEYARDS

Bonterra Organic Vineyards, the nation’s #1 wine from organic grapes, was named 2016 American Winery of the Year by Wine Enthusiast magazine.



BONTERRA BIODYNAMIC®



OUR COLLECTION

<div data-bbox="236 545 576 727"><p>1000 STORIES™</p></div> <div data-bbox="633 478 763 951"></div>	<div data-bbox="962 564 1362 652"><p>ANTHONY'S HILL. FETZER VINEYARDS.</p></div> <div data-bbox="1359 478 1636 951"></div>	<div data-bbox="1695 574 2015 634"><p>LITTLE BLACK DRESS. WINES</p></div> <div data-bbox="2012 478 2379 943"></div>	<div data-bbox="2455 585 2845 643"><p>ADORADA</p></div> <div data-bbox="2855 484 3132 947"></div>
<div data-bbox="236 1155 519 1343"><p>PURSUE SUSTAINABLE FARMING. RELAY WINES</p></div> <div data-bbox="549 1187 859 1620"></div>	<div data-bbox="986 1168 1259 1337"><p>SANCTUARY</p></div> <div data-bbox="1256 1172 1626 1626"></div>	<div data-bbox="1749 1215 2139 1273"><p>BECKON</p></div> <div data-bbox="2142 1151 2272 1626"></div>	<div data-bbox="2462 1211 2768 1307"><p>JEKEL VINEYARDS</p></div> <div data-bbox="2755 1151 3132 1626"></div>

2016

HIGHLIGHTS



BIOFILTRO BIDA® INSTALLATION

In 2016, we installed a natural, regenerative wastewater treatment system that uses microbes and red worms to naturally remove 99% of contaminants from winery wastewater. From Chile's BioFiltro, the BIDA® System is expected to regenerate approximately 17 million gallons or more annually, reducing energy consumption and producing soil-enriching worm castings to enhance our vineyard soil. Turn to page 13 for more on this endeavor.



APANA SMART WATER METER TECHNOLOGY

We took another forward-looking step to conserve water with the installation of advanced water metering technology from Bellingham, Washington-based APANA, Inc. On page 13, discover how these meters installed throughout our winery campus will allow us to quickly pinpoint leaks and water waste in real time. Powered by big data insights analyzing our water use profile, the technology will help us avoid water waste and meet our 2020 water efficiency goal.



CARBONNEUTRAL® CERTIFICATION

We've reduced our greenhouse gas emissions and begun supporting pacesetting offset projects around the world to become the first U.S. winery certified CarbonNeutral® by Natural Capital Partners. On page 14, read more about the three exciting offset projects from which we've purchased Verified Emissions Reductions (VERs). Together with our internal emissions reductions, these third party-verified offsets allow us to bring our net emissions to zero.

STRATEGIZING SUSTAINABILITY

WINES WITH DELIGHTFUL COMPLEXITY. PURPOSE WITH PERFECT CLARITY.

“IT ISN'T ENOUGH TO SIMPLY SUSTAIN THE WORLD WE LIVE IN. AT FETZER VINEYARDS, WE BELIEVE IN GOING BEYOND SUSTAINING OUR WORLD TO REGENERATING IT, CREATING POSITIVE IMPACTS. AN EXAMPLE IS OUR AIM TO BECOME WATER POSITIVE, WHICH MEANS PUTTING MORE WATER BACK INTO THE WATER TABLE THAN WE USE. IT'S THE WAY FORWARD.

- GIANCARLO BIANCHETTI, CEO FETZER VINEYARDS”

A REGENERATIVE APPROACH

Building on a long history of pioneering sustainable winegrowing at Fetzer Vineyards, we are now working to implement a new regenerative strategy that goes beyond sustainability as we know it. Our vision is to operate in a way that restores, revitalizes and regenerates ecosystems and communities, while producing premium quality wines, advancing the health and well-being of employees, and producing sustainable growth for shareholders.

With the goal of not just sustaining the world around us, but enhancing it, we are committed to using regenerative and restorative business practices that not only reduce negative impacts, but work towards creating positive impacts on the environment, people and communities. An example of this is our endeavor to become water positive, which means we aim to put more water back into the water table than we use.

To implement this vision, we look for opportunities in our business, from the vineyards to the winery to the bottling line, where we can drive change. We're poised to take bold steps towards this vision of regeneration and help catalyze the movement to redefine what responsible business is all about.

B CORP FRAMEWORK

In 2015, we became the largest winery in the world to receive B Corp certification from the non-profit B Lab. B Corps are for-profit companies that meet rigorous standards of social and environmental performance, accountability and transparency. In becoming a certified B Corp, we joined a global movement alongside companies such as Patagonia and Ben & Jerry's that are committed to using business as a force for good.

[The B Impact Assessment](#), which all B Corps undergo as part of the certification process, focuses on four key areas: Governance, Workers, Environment and Community. These impact areas offer a framework for cultivating key areas of our business, and allow us to identify specific actions to improve our performance. Since obtaining B Corp status in 2015, we have improved our score by nearly 15 points, from 80.5 to 95.1, marking significant progress towards our goal of a 100-point score by 2020 (Certified B Corps must obtain a minimum of 80 out of 200 possible points on the assessment scale). As we look to the future, the B Corp framework will continue to guide our actions as we aim to continuously improve the way we do business and the associated impacts we have on people, environment and communities.

DRIVING TOWARDS NET POSITIVE

Net Positive is a new way to think about corporate sustainability, which has long focused on minimizing negative impacts without offering a clear path forward for how to reverse today's most pressing ecological issues. With our commitment to the [Net Positive Project](#), we're joining with other businesses to put a stake in the ground to help define that path, developing a model for businesses to truly transform societies and ecosystems.





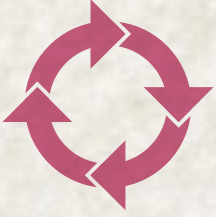

The Net Positive Project, established in 2013, is a coalition of organizations whose goal is to help companies reimagine financial success while creating "Net Positive" impacts -- putting more back into society, the environment and the global economy than we take out. In other words, the ultimate goal is a positive corporate footprint. Spearheaded by Business for Social Responsibility (BSR), Forum for the Future, and Harvard's Sustainability and Health Initiative for NetPositive Enterprise (SHINE), this coalition includes business partners such as AT&T, Dell, and others. Together with this powerful movement, our commitment to becoming Net Positive guides our sustainability strategy in pursuit of our goal to be Net Positive by 2030.



ACCOUNTABILITY MATTERS

PERFORMANCE SUMMARY AND GOALS

To support our long-term vision of becoming Net Positive by 2030, we’ve set short-term goals to improve our performance in key impact areas.

PERFORMANCE AREA		GOAL	PROGRESS
WATER		BY 2020, REDUCE WATER USE AT OUR HOPLAND WINERY BY 15% (GALLONS OF WATER/GALLON OF WINE PRODUCED) FROM OUR 2015 BASELINE.	In 2016, water intensity was 3.24 gallons of water used in the winery per gallon of wine produced. This is a 12% reduction from 2015, when we used 3.65 gallons of water per gallon of wine produced.
ENERGY		BY 2020, REDUCE ENERGY USE BY 20% (KWH/CASE PRODUCED) FROM OUR 2015 BASELINE.	In 2016, we used 2.11 kWh of energy per case of wine produced, compared to 2.43 kWh per case in 2015, a 13.2% reduction.
GHG EMISSIONS		ACHIEVE CARBON NEUTRALITY BY 2020.	We achieved our goal, becoming certified CarbonNeutral® in 2016. From 2015 to 2016, we reduced our Scope 1 and 2 emissions by 7.3%, while our Scope 3 emissions increased slightly due to increased employee travel. We are actively examining ways to reduce Scope 3 as our business grows.
WASTE		BY 2020, DIVERT 99.9% OF WASTE FROM LANDFILLS OR INCINERATION.	We diverted 99.2% of waste from landfills or incineration in 2016, continuing a trajectory of improvement. We diverted 99.1% of waste from landfills or incineration in 2015, 98.5% in 2014, and 97.6% in 2013.
SUPPLY CHAIN		PURCHASE 90% OR MORE OF GRAPES FROM CERTIFIED SUSTAINABLE OR ORGANIC GROWERS BY 2020.	In 2016, we took a key step towards this goal by beginning a comprehensive sustainability evaluation of our supply chain. We found that more than half of our growers are currently certified by a credible sustainable or organic certification program, and altogether some two-thirds of our supply chain is certified or in transition.
B CORP PROGRESS		BY 2020, INCREASE B IMPACT ASSESSMENT SCORE TO 100 (CERTIFIED B CORPS MUST SCORE A MINIMUM OF 80 OUT OF 200 POSSIBLE POINTS).	During our B Corp recertification in mid-2017, we received an improved score of 95.1, a nearly 15-point improvement over our 2015 score, of 80.5. Our latest score reflects data from the 2016 calendar year.

BEYOND OUR DOORS

At Fetzer Vineyards, our mission has always been simple. To make great wines for our customers while being in harmony with the world around us. It's why regenerative agriculture and reducing our impacts on the environment have been at the heart of who we are and what we do from the very beginning of our company. There are no shortcuts or easy solutions to help us achieve our goals, but no effort is more worthwhile and no way forward is more important.

**CLEAN AIR.
RICH SOIL.
PLENTIFUL WATER.**



YOU LOVE WHAT WE PUT IN OUR BOTTLES.

WE LOVE WHAT WE PUT BACK IN THE EARTH.

Regenerative agricultural practices build soil health, rebalance the water cycle, increase biodiversity and ecosystem resiliency, and sequester carbon from the atmosphere. We practice this type of climate-smart agriculture on all of our 960 farmed acres in Mendocino County. Cornerstones of these practices include planting cover crops, pursuing a reduced tillage regime, applying compost, planting for biodiversity and using planned sheep grazing.

As these practices build organic matter and regenerate the health of our soils, they are paving the way for a vibrant, biodiverse ecosystem that generates healthy vines and flavorful fruit. They’re also part of a proactive approach to mitigating climate change, as healthy soils help rebalance the carbon cycle.

In addition to these regenerative practices, all 960 acres of our vineyards in Mendocino County are Certified California Sustainable Winegrowing program certified, Fish Friendly Farming certified, and California Certified Organic Farmers (CCOF) organic certified.



HABITAT AND BIODIVERSITY

Fetzer Vineyards recognizes that protecting and enhancing wildlife and biodiversity in our vineyards and the surrounding ecosystems is of vital importance. We own about 2,000 acres in Mendocino County, with roughly half left as untouched land. We protect and maintain the natural oak woodlands and riparian (riverbank) habitats on our ranches. Habitat corridors with over 100 plant species and protected riparian vegetation harbor beneficial insects and create ecosystem balance. We also attract native birds by conserving vegetation and providing bird boxes.

VINEYARD PEST MANAGEMENT

In 2012, the Virginia Creeper Leafhopper, an invasive vineyard pest, was identified in Mendocino County. The following year we earmarked funds and resources to support the American Vineyard Foundation in its research of natural, non-toxic solutions to combat the pest. Over the years, we’ve continued to support efforts in this area through a variety of mechanisms, including facilitating research in our organic vineyards. In 2016, our collaborative efforts alongside others in addressing this pest were recognized with an “Integrated Pest Management Achievement Award” from the California Department of Pesticide Regulation. These awards are given out annually to groups of researchers, growers and Pest Control Advisers (PCAs)



that demonstrate outstanding leadership and collaboration in the field of integrated pest management.

CARBON SEQUESTRATION

We recently initiated a project with researchers from the University of California Merced and Pacific Agroecology to calculate the amount of carbon sequestered in our vineyards and wildlands, in order to obtain a more accurate picture of our overall carbon footprint. While we know that preserved wildlands, together with regenerative agriculture practices, play an important role in carbon sequestration and storage, we hope that in quantifying these benefits we’ll help pave the way for broader embrace of similar land preservation programs and regenerative agriculture endeavors.

NATURE GIVES OUR WINES SO MUCH.

THAT'S WHY WE WORK HARD TO GIVE WATER BACK.

With water scarcity increasing in California, we're committed to reducing, reusing and regenerating water, with a goal to become Water Positive. Essential to our goal of Net Positive operations by 2030, this means that we aim to put more water back into the water table than we take out. Reductions in water use, efficiency improvements like smart water meters, and an energy-saving system for wastewater treatment are some of the key components of this long-term strategy initiated in 2016. We've set a near-term goal to reduce water use at our winery campus 15% (gallons of water/gallons of wine produced) from our 2015 baseline, by the year 2020. In 2016, we made significant progress towards this goal by reducing our winery water use to 3.23 gallons per gallon of wine produced, a 12% reduction from 2015.

BIOFILTRO INSTALLATION

In 2016, we installed BioFiltro's BIDA® system, a regenerative wastewater treatment solution, and became the first U.S. winery to use the innovative biological system to process 100% of winery wastewater. Powered by millions of red worms working rapidly in concert with beneficial microbes, the system uses 85% less energy than traditional aeration ponds. In line with our mission of regenerative development, wastewater goes into the BIDA system and comes out as clean water that we plan to use for irrigation. Annually, the system is expected to regenerate approximately 17 million gallons of water, reduce energy consumption by nearly 1 million kWh, and produce up to 375 cubic yards of worm castings, which will enhance the soil in our vineyards.

Watch [our video](#) detailing how the system works.

APANA SMART WATER METER TECHNOLOGY

We became the first winery in the world to install advanced water metering technology from Bellingham, Washington-based APANA, Inc. APANA's advanced technology allows us to monitor water use in real time by collecting and sending our water data to the cloud, where it's analyzed for breaks in trends. By quickly pinpointing leaks and water waste incidents thanks to real-time cloud monitoring, we expect to save up to 25% more water annually. Because energy is closely tied to water use, we also expect the water meters to contribute to reductions in energy use, in addition to saving up to 4 million gallons of water per year. Check out [our infographic](#) detailing how the smart meters work.

WATER SAVING INNOVATIONS

Our new wastewater treatment system from BioFiltro and smart water meters from APANA build on a number of other water conservation initiatives. In our vineyards, we use drip irrigation and soil moisture monitoring equipment to make sure that each vine receives only the water that it needs. Beginning in 2012, we began using peracetic acid in our winery to sanitize tanks, a practice that eliminates a second rinse step and reduces water use by over 200,000 gallons annually. Most recently, we replaced all of the urinals on our winery campus with waterless urinals, expected to save around 500,000 gallons of water annually. In ongoing efforts to reduce water use, we continue to investigate new means of efficiency and conservation.



FOR OUR EFFORTS PIONEERING THIS INNOVATIVE
PROCESS IN THE WINE INDUSTRY IN 2016, WE RECEIVED A
**2017 ENVIRONMENTAL
LEADER
PROJECT OF THE YEAR AWARD**

CRITICALLY ACCLAIMED.

CARBON NEUTRAL CERTIFIED.

ENERGY

At Fetzer Vineyards, we have long recognized the importance of energy management and the transition to a green energy future. In 1999, we began operating our winery on 100% renewable energy, a first in the U.S. wine industry. Every year, we produce nearly 1 million kWh of energy through our on-site solar arrays, which we supplement with further power from wind energy providers. Beyond, we continue to look for ways to make our operations still more energy-efficient.

As a key to success, we emphasize data management, tracking and responsible reporting of energy use and other sustainability metrics. We currently measure these metrics on a regular basis and use detailed analysis to target areas for improvement. In the near term, we are working towards our goal of reducing energy use by 20% by 2020 (kWh/case produced) from our 2015 baseline, and have made significant progress over the year. In 2016, our energy use was 2.11 kWh/case produced, a 13.2% reduction from 2.43 kWh/case produced in 2015.

GREENHOUSE GAS EMISSIONS

In 2005, we began publicly reporting greenhouse gas emissions to The Climate Registry, an important step in our journey to reduce the climate impact of our operations. Since then, we've reduced our emissions by increasing our use of renewable energy and diverting 99.2% of waste from the landfill. In 2016, we achieved our goal of CarbonNeutral® certification, four years ahead of our original 2020 goal. To address our winery's remaining GHG emissions, we support three offset projects from which we've purchased Verified Emission Reductions (VERs). These third party-verified offsets allow us to bring our net emissions to zero, including our Scope 1; Scope 2; and Scope 3 emissions from waste and business travel.

The **MISSISSIPPI VALLEY REFORESTATION PROJECT** (USA) aims to reforest 1 million acres of the Lower Mississippi Alluvial Valley, one of the most important ecosystems in North America, which has suffered sustained deforestation.

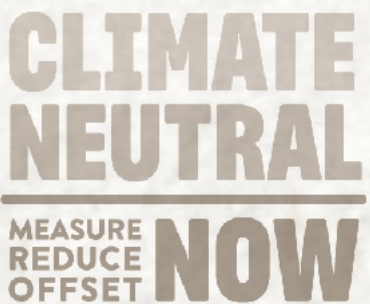
The **SENECA MEADOWS LANDFILL GAS PROJECT** (USA) is a forward-thinking landfill gas recovery and methane destruction project in upper New York State.

The **THENI WIND POWER PROJECT** (India) is comprised of two wind farms that deliver approximately 100,000 MWh of clean renewable electricity to the southern India regional grid each year while improving local air quality.



FIGHTING CLIMATE CHANGE

We're proud to support the new low-carbon economy that's reshaping the way businesses adapt to a changing climate and solve for a more sustainable future. In 2016, the United Nations Climate Change Secretariat invited Fetzer Vineyards to join the Climate Neutral Now initiative after learning of our work with regenerative agriculture at COP21, the Paris Climate Talks. Climate Neutral Now aims to promote a wider understanding of the need and opportunities for society to be climate neutral, and to support a strong and enduring climate agreement by global leaders.



CLIMATE PROTECTION NEEDS LOBBYISTS, TOO

We also take our support for climate-smart practices to the policy arena. As an active member of Business for Innovative Climate and Energy Policy (BICEP), a coalition of businesses organized by the non-profit Ceres to advocate for stronger climate and clean energy policies, we attend state- and national-level advocacy days in Sacramento and Washington, D.C., where we advocate for climate-smart policies. We truly believe that businesses can lead the way in fighting climate change, and plan to continue to use our voice to share perspectives on how business and a climate-smart approach can go hand-in-hand.

ZERO WASTE

SO MUCH GOES INTO OUR WINES.

SO MUCH IS RESTORED TO THE SOIL.

WASTE NOT, WANT NOT

We’ve been committed to decreasing impacts to the waste stream for decades, reducing annual waste sent to landfill by more than 98 percent since 1990 through recycling, reusing and composting used materials. This diversion includes composting all winery waste – grape skins, stems and seeds from the winemaking process – and later reintroducing these materials into our vineyards as nutrient-rich compost. It also encompasses a comprehensive recycling program across our Hopland campus. In 2014, we became the first U.S. winery certified Zero Waste by the U.S. Zero Waste Business Council (now Green Business Certification Inc. TRUE Zero Waste Certification). That year, we diverted 98.5% of all waste from landfill or incineration, up from 97.6% in 2013. We’ve continued to improve this metric each year.

PARTNERING WITH SUPPLIERS

Our waste reduction milestones have been achieved in partnership with our supply chain, with whom we work to identify materials that can be eliminated from our production stream, repurposed or recycled. As we look ahead, we remain committed to auditing our waste stream for opportunities for continuous improvement.

HOW WE GOT HERE

We’ve established a goal to divert 99.9% of our waste from landfills and incineration by 2020, and in 2016, we diverted 99.2% of all waste. Here is a closer look at our progress on waste diversion since 2013:

2013	2014	2015	2016
97.6%	98.5%	99.1%	99.2%

These results derive from many years of refining our waste programs, policies and initiatives. These programs include the streamlined collection of glass, plastic, cardboard, metal, and PET from our production process. Employee engagement is a key ingredient in our success: all break areas contain clearly labeled recycle bins for varied materials, including food waste.



**ACHIEVING
ZERO WASTE
CERTIFICATION**
IS A TRUE TEAM EFFORT, ENCOMPASSING BROAD
COOPERATION FROM OUR WINERY EMPLOYEES
TO OUR SUPPLY CHAIN PARTNERS.



FINANCIAL IMPACT

When it comes to measuring the impacts of sustainability, economic benefits play an important role in showcasing the business case for pursuing these practices. At Fetzner Vineyards, we realize significant cost savings through reduced landfill tipping fees due to reductions in waste, and obtain revenue from recycling certain materials. These financial benefits complement the environmental benefits that arise from a zero waste approach, and help us to remain competitive as a business while pursuing our sustainability goals.

HARVESTING EXCEPTIONAL FRUIT.

CULTIVATING STRONG RELATIONSHIPS.

PARTNERING WITH GRAPE GROWERS

A hallmark of our regenerative ethos, our commitment to responsible sourcing and fair treatment of our stakeholders extends to our growers. Fine wine isn’t possible without exceptional fruit, and the quality of our wines is a testament to the strong relationships we’ve cultivated with our suppliers. Extending our dedication to sustainable grape growing, we have established a goal to purchase at least 90% of grapes from sustainable- or organic-certified growers by 2020. In 2016, we began developing a comprehensive sustainability evaluation of our supply chain as a key step towards meeting this goal. Working towards this goal of a 90% or more certified-sustainable grower supply chain, we are proud to provide support and resources to farm partners throughout the state in transitioning to organic or sustainable farming.

WORKING WITH DRY GOODS SUPPLIERS

At Fetzer Vineyards, we work with dry goods suppliers to minimize the environmental impacts of our production processes. We work with suppliers to identify materials that can be eliminated from our production stream, and work to return and reuse packaging materials whenever possible. After unloading our materials, we return pallets and cardboard boxes to suppliers for reuse. Our approach to packaging and materials is always evolving, and we incorporate sustainable components into our products wherever possible. For example, Fetzer and Anthony’s Hill brand labels are made from Forest Stewardship Council (FSC) certified paper, while Bonterra Organic Vineyards labels are made from 100% post-consumer recycled material. On average, the glass that we use is made of 35% recycled material, while cases are made from between 35% and 70% recycled materials. As we continue to develop new products and innovate in our production processes, we’ll keep seeking new ways to embody our sustainability commitments in our packaging decisions.



89%
**OF OUR GRAPE
GROWERS**
ENGAGE IN PRACTICES DESIGNED
TO MAINTAIN SOIL PRODUCTIVITY

77%
**OF OUR SIGNIFICANT
DRY GOODS SUPPLIERS**
TRACK AND REPORT ENERGY USAGE

71%
**OF OUR SIGNIFICANT
SUPPLIERS**
(GROWERS & DRY GOODS) TRACK
AND REPORT WATER USAGE

47%
**OF OUR SIGNIFICANT
SUPPLIERS**
ARE LOCATED IN LOW-INCOME COMMUNITIES
OR CREATE EMPLOYMENT OPPORTUNITIES FOR
CHRONICALLY UNDEREMPLOYED POPULATIONS

SPOTLIGHT: 30 YEARS OF ORGANIC FARMING

Originally inspired by the quality of organically farmed vegetables, Bonterra Organic Vineyards' founding team was among the first in California to embrace organic farming practices for grapevines. By 1993, long before organic products lined the shelves of neighborhood grocers, wines bearing Bonterra's name and the phrase "Made with organic grapes" debuted. The wines' signature style, offering purity of flavor alongside balanced character, laid the foundation for a loyal following that continues to grow today while contributing to expanded interest in the organically farmed wine category.

Celebrating its 30th year of organic farming in 2017, Bonterra has evolved from a niche label catering to a small but passionate audience to the U.S.' leading wine made from organically grown grapes. Sold in all 50 U.S. states and in 23 countries worldwide, Bonterra saw domestic growth of more than 20%¹ in 2016, and the brand was named the 2016 American Winery of the Year by Wine Enthusiast magazine – the first time the honor was conferred on a winery focused on organic winegrowing.

Bonterra
ORGANIC VINEYARDS



“WE’VE BEEN FARMING ORGANICALLY SINCE 1987, AND WE’VE DONE SO BECAUSE WE FEEL THAT ORGANIC GRAPES TRULY MAKE THE BEST WINES.”
- JEFF CICHOCKI, BONTERRA WINEMAKER

SPREADING ORGANIC FARMING ACROSS CALIFORNIA

Because organic farming provides numerous beneficial results including carbon sequestration in soils and greater biodiversity, growing California's certified organic acreage benefits the environment as well as consumers. Worldwide, organically farmed acreage hovers at around just 1% of global farmland.² Having observed the benefits of organic farming on quality and flavor for 30 years, Bonterra has engaged grape growers across California to transition existing vineyards to organic farming practices.

By providing education and support for farm partners interested in evolving their practices to comply with regulations for organic farming, Bonterra is helping to expand overall organic acreage in the state. To date, Bonterra has helped transition scores of California farms to organic practices, with plans to continue the program as we look ahead.

THE BIODYNAMIC WAY

Among nearly a thousand acres farmed organically, some 260 acres of our Mendocino County vineyards farmed for Bonterra are also certified Biodynamic® by Demeter USA, making us the largest Demeter-certified winegrower in



California. Biodynamic farming looks to introduce as few external inputs to the farm as possible – creating vital systems balanced by soil, plant, animal and human influences. This holistic approach to winegrowing is among the most climate-smart forms of agriculture, and we farm three ranches with Biodynamic principles:

BLUE HERON VINEYARD: This Russian River-adjacent site includes a nature preserve certified by the National Audubon Society's Cooperative Sanctuary Program, where blue herons nest and raise their young. Wine: Bonterra Organic Vineyards Single-Vineyard "The Roost" Chardonnay.

BUTLER RANCH VINEYARD: At this high-elevation microclimate-based vineyard, home to farming for over a century, we disturb the earth as little as possible to prevent erosion. Wine: Bonterra Organic Vineyards "The Butler" Red Blend.

MCNAB RANCH VINEYARD: All vineyard vegetation is composted to enrich soils and habitats along creek beds. Wine: Bonterra Organic Vineyards "The McNab" Red Blend.

To learn more about Bonterra's organic and biodynamic farming practices, visit [Bonterra.com/our-commitments](https://www.bonterra.com/our-commitments).

[1] SOURCE: NIELSEN DATA TTL US XAOC 9L EQ % CHG 52 WEEKS ENDING 12/31/16: 20.03%
[2] SOURCE: WORLDWATCH.ORG.

MORE THAN A JOB

Inspired employees. Great ideas. Smart solutions. This is what makes an innovative company. When employees are encouraged to analyze the most efficient, Earth-friendly and safe ways to do things, everyone wins. Some of our biggest and proudest improvements come from the hearts and minds of the people closest to the process.

WHAT PAIRS WELL WITH OUR WINE?

GREAT EMPLOYEES.



OUR PEOPLE

NURTURING OUR EMPLOYEES.

A KEY STEP IN OUR WINEMAKING PROCESS.

PRIORITIZING HEALTH

The wellness and safety of our employees are top priorities. Throughout the year, we host a number of employee health and wellness activities that include biennial health fairs; quarterly brown bag lunch programs focusing on health topics such as women’s wellness, healthy eating, and exercise; and financial wellness and retirement planning workshops. During our 2016 Health Fair, 21 different community, healthcare and public safety organizations visited our campus during the work day to provide our employees with free information on various health and wellness topics and the resources available in our community. In 2016’s Live Healthy Wine Country Challenge, 100 participating employees lost a total of 193 pounds and logged nearly 386,000 minutes of activity time. We also cultivate an Employee Organic Garden, where team members grow fresh produce that is distributed free of charge each week during the growing season at our employee Farmer’s Market.

SUSTAINING SAFETY

It’s our responsibility to provide a safe work environment for our employees. Over the years, we’ve developed a robust safety program that emphasizes the importance of training and equipment skills, with specific trainings developed for various functional roles. In 2016, we facilitated approximately 200 formal safety trainings for our employees.

Our commitment to creating a safe workplace has produced tangible results in workplace safety. We improved our performance in two key Occupational Safety and Health Administration (OSHA) metrics in 2016:

Our total incident rate (TIR), which is the number of recordable injuries per 100 employees, was 3.62, down from 6.78 in 2015.

Our total days away, restricted, or transferred (DART) incident rate per 100 employees was 2.17, down from 4.28 in 2015.



RECENT SAFETY RECOGNITION:

- San Francisco Business Times “Healthiest Employer” (2015)
- AgSafe & DuPont Crop Protection “AllWays Safe Agricultural Safety Award” (2015)

OUR PEOPLE

WE ONLY USE THE
BEST INGREDIENTS FOR OUR WINES.

STARTING WITH OUR PEOPLE.

GREATER THAN
50%
OF MANAGEMENT
IS COMPRISED OF WOMEN AND/OR INDIVIDUALS
FROM UNDERREPRESENTED POPULATIONS
(E.G. MINORITIES, LGBT COMMUNITY, INDIVIDUALS WITH DISABILITIES)

GREATER THAN
50%
OF NON-MANAGERIAL
WORKERS
ARE WOMEN AND/OR INDIVIDUALS
FROM UNDERREPRESENTED POPULATIONS.

100%
OF OUR EMPLOYEES ARE PAID
**A LIVING
WAGE**

93%
OF EMPLOYEES PARTICIPATED IN
**TRAINING
OPPORTUNITIES**
IN 2016

EMPLOYEE ENGAGEMENT & DEVELOPMENT

We are committed to providing a safe, supportive and engaging work environment for our employees. One of the ways we do this is by providing all employees the opportunity to participate in key programs such as our Re3 and CARE teams. By incorporating diverse perspectives, these employee-run sustainability and safety programs ensure that our initiatives are in direct alignment with our vision and values.

We encourage our employees to participate in internal and external training opportunities based on business needs as well as their skills and interests. In 2016, employees participated in a total of 5,570 hours of training, in addition to outside seminars and conferences. Training opportunities cover topics such as time management, business writing and grammar, equipment operation, meeting facilitation, and more. Our Human Resources team works to ensure continuous improvement of the employee experience at Fetzer Vineyards through additional formal and informal opportunities. Additionally, we provide financial support for activities including job-specific courses, technical training, and management training.

DIVERSITY & INCLUSION

We value diversity and inclusion and believe that fostering a diverse workforce and inclusive culture benefits the wellbeing of our employees and improves the performance of our business. We want all of our employees to be able to perform at their highest potential, and we aim to provide a workplace with opportunities to help them succeed.

One example of the opportunities we provide is our English as a Second Language (ESL) program. The program dates back to the 1990s, but has evolved over time. We work with a regional program called Worksite Held Employee English Learning (WHEEL), which was created to provide classes at employees' place of employment. Students in this program receive two hours of English language training, two days a week, for eight weeks. Improved English skills facilitate better communication and collaboration among employees, as well as offering benefits that extend beyond the workplace.

INNOVATION

WE MAKE OUR WINES THE MILLENIA-OLD WAY.

THESE DAYS, THAT'S QUITE INNOVATIVE.

CATALYZING CHANGE FROM WITHIN

At Fetzer Vineyards, we know that innovation drives everything – steps forward in sustainability practices, improved employee programs, great-tasting wines that are better for the earth.

We value the entrepreneurial nature of our team as a key driver in these areas. To this end, we employ two full-time staff members dedicated to identifying and solving complex sustainability issues while pioneering regenerative practices in the wine industry. Supporting their efforts is our Re3 team (Restore – Revitalize – Regenerate), a cross-departmental group that meets monthly to develop sustainability-focused initiatives and to share ideas for engaging employees in varied sustainability efforts. To further encourage innovation and collaboration and as a complement to these efforts, we created the Fetzer Vineyards Communication, Awareness, Recognition, and Education (CARE) program. This safety-focused program focuses on six areas of excellence supporting a safe work environment while creating new ideas, enhancing current processes, and achieving goals that have a positive impact on our business, community and the environment.



Additionally, we recognize and reward employee-generated innovation with differing levels of formal recognition, including the annual Patrick Healy Memorial Award – in 2016 awarded to an employee, Ray Tollini, whose creative plan for facilitating landscape watering with recycled water from the BioFiltro system took top honors.

VINEYARD RESEARCH

We recognize that viticulture is a dynamic field, and regularly seek innovative ways to grow the highest-quality grapes while regenerating the environment. For decades, we have been partnering with universities, non-profits and government groups to advance and pioneer sustainable winegrowing practices. We've facilitated studies on vineyard cover crop systems, the benefits of insectary corridors, and non-invasive and non-toxic solutions to fighting vineyard pests. We are now focusing our research efforts on the carbon sequestration benefits of preserved wildlands and regenerative agriculture. This study is being conducted through 2017, and will provide the wine industry as a whole with valuable information on the ability of regenerative vineyard practices to contribute to carbon sequestration and the battle against climate change.

CUTTING-EDGE PRODUCTS

Our employee-driven approach to innovation has produced some of the most disruptive and successful product ideas at Fetzer Vineyards. Our bourbon barrel-aged Zinfandel, 1000 Stories, is just one example of a new approach driven by employees that created significant impact. Carefully made in small batches and matured in bourbon barrels from some of the finest bourbon distilleries, 1000 Stories helped inspire the emerging whiskey barrel-aged category, was recently named an IMPACT Hot Prospect Brand, and is helping drive growth in the broader U.S. Zinfandel category. More on the brand at 1000storieswines.com.

CARING FOR COMMUNITY

Local engagement. Trusted partners. Great relationships. We know that treating people well is one of the best investments we can make. From developing local partnerships to supporting the people who make our communities thrive, creating trusted bonds leads to good business.

OUR WINE BRINGS PEOPLE TOGETHER.

OUR WORK BRINGS THE COMMUNITY TOGETHER.



COMMUNITY PARTNERSHIPS

FOR WINE TO REVEAL ITS CHARACTER,

IT TAKES SOIL, CLIMATE, GRAPES,
AND A VILLAGE.

We believe in partnering with people and organizations in our community who foster collaborative and creative approaches to our business while benefiting society.



SYMBIOTIC RELATIONSHIPS

We work with community partners to make year-round use of our ecological assets and create mutually beneficial relationships. For example, we work with Sola Bee Farms to host bee populations at our Bonterra Biodynamic® ranches between pollinating seasons. Sola honeybees thrive in these biodiverse vineyard habitats, restoring and rebuilding health. During the winter season, we team up with Kaos Sheep Outfit to graze nearly 2,000 sheep in our vineyards. We provide the sheep with a place to roam, and in turn the sheep snack on cover crops and weeds from one vineyard to the next, adding beneficial fertilizer to the soil as they graze. A number of Biodynamic ranches are also home to olive trees, which provide ecosystem benefits including increased biodiversity and shade cover. At the end of the growing season, we partner with Olio di Mendo, a local olive oil company, to harvest olives and press them into Bonterra Organic Vineyards olive oil.

“CALIFORNIA AGRICULTURE DEPENDS ON POLLINATION FROM MANAGED HONEYBEE HIVES, AND OUR PARTNERSHIP WITH FETZER VINEYARDS’ BONTERRA IS VITAL TO THE HEALTH OF OUR HONEYBEES. BY PROVIDING THEM WITH OPEN SPACES TEEMING WITH HEALTHY FLOWERS AND PLANTS TO FORAGE ON, THE COMPANY SUPPORTS OUR MISSION OF MAINTAINING AND SUSTAINING HEALTHY HONEYBEES IN NORTHERN CALIFORNIA.”

– CLAIRE TAUZER, SOLA BEE FARMS

“THE ABUNDANCE OF BONTERRA’S ORGANIC VINEYARDS IN WINTERTIME NOURISHES THOUSANDS OF OUR SHEEP IN AN IDEAL HABITAT. WE APPRECIATE FETZER VINEYARDS’ PARTNERSHIP AND THE SYMBIOSIS THAT ARISES WHEN OUR SHEEP CONTRIBUTE TO THE BENEFICIAL NATURAL CYCLE OF BRINGING LIFE INTO THE VINES AMIDST A QUIETER TIME OF YEAR.”

– ROBERT IRWIN, KAOS SHEEP OUTFIT

RUSSIAN RIVER REGENERATION

With our home in the Russian River watershed, we recognize the importance of water stewardship and engaging with local groups to protect this vital resource. In 2016, Fetzer Vineyards was recognized by Russian Riverkeeper with the Leadership in Russian River Regeneration Award for our comprehensive water management strategy, including restoration and maintenance of creeks and tributaries, and for our commitment to responsible business. Russian Riverkeeper is a non-profit organization dedicated to preserving the Russian River watershed through public education, citizen action, scientific research and expert advocacy. We are also an active participant in the Russian River Confluence, a group of local governments, businesses, non-profits and citizens working together to restore and regenerate the Russian River and the surrounding watershed.

“FETZER VINEYARDS GOES BEYOND MERE SUSTAINABILITY, INSPIRING OUR REGIONAL COMMUNITY TO LEAVE A NET POSITIVE IMPACT ON OUR PEOPLE, PLANET AND ECONOMY. THEY UNDERSTAND THAT THEY ARE NOT JUST A COMPANY, BUT STEWARDS OF THEIR COMMUNITY AND THE RUSSIAN RIVER WATERSHED. THIS IS THE KIND OF VISIONARY YET PRACTICAL LEADERSHIP WE NEED TO REACH BOLDLY INTO THE FUTURE.”

JAMES GORE, SONOMA COUNTY SUPERVISOR
& RUSSIAN RIVER CONFLUENCE CHAMPION

COMMUNITY PARTNERSHIPS

OUR WINES ARE NOT JUST AWARD-WINNING.

THEY ARE
DIFFERENCE-MAKING.

We are committed to creating positive impacts in our communities by supporting organizations that align with our values. In 2016, we provided financial and in-kind support to a variety of organizations working to better the world around us.



SUPPORTING COMMUNITY GARDENS

We donate a portion of the proceeds from our community wine sales to the Gardens Project of North Coast Opportunities. The Gardens Project works to relieve hunger and inadequate nutrition in Mendocino and Lake Counties by building community gardens in low-income neighborhoods to create access to community-based food production and local, healthy food. The organization educates the community on sustainable food production and nutrition through free workshops while empowering gardeners through leadership training and mentoring.

“WE ARE SO THANKFUL FOR FETZER VINEYARDS’ SUPPORT FOR THE GARDENS PROJECT. THEIR SUSTAINING DONATIONS ARE A VITAL SOURCE OF FUNDING FOR OUR PROGRAM, AND HAVE ALLOWED US TO DEVELOP MANY NEW COMMUNITY GARDENS IN THE LAST YEAR INCLUDING THOSE IN BOONVILLE, HOPLAND AND CLEARLAKE. WE ALSO APPRECIATE THE ENTHUSIASM FETZER VINEYARDS’ EMPLOYEES SHOW IN SUPPORT OF SUSTAINABILITY, LOCAL FOOD AND THEIR COMMUNITY AND WE ARE THRILLED TO HAVE THEM AS A PARTNER.”

– AVA RYAN, GARDENS PROJECT MANAGER AT NORTH COAST OPPORTUNITIES

CONSERVING AMERICAN BISON

Our 1000 Stories brand proudly supports the efforts of the Wildlife Conservation Society and the American Bison Society to restore natural habitats for the bison population. The Wildlife Conservation Society has built a network of experts and strong relationships with ranchers and Native American tribes to develop programs to reintroduce bison into healthy environments where they may thrive and contribute to the ecosystems once again.

GIFTING HOLIDAY CHEER

During the holiday season, we partner with Tapestry Family Services, a local nonprofit organization that provides programs and services to children, youth and families in need. As part of our Giving Tree initiative, Tapestry matches us with a group of local foster children in need. Employees volunteer to purchase gifts for the children, which are distributed by Tapestry during the holidays.

STEWARDSHIP

THE NEXT CHAPTER

A MESSAGE FROM ONE OF US, ABOUT ALL OF US.

Dear Friends,

As a 28-year employee of Fetzer Vineyards, I am in a unique position to thank you for considering Road to Regeneration, our first sustainability report. I have seen first-hand the evolution of many ideas outlined in this report, and consider my success at the winery a direct result of a set of values I share with this company, which champions the success of people and planet alongside growth in profit.

FINDING A PLACE AT FETZER VINEYARDS

I first arrived in the U.S. as a teenager. I didn't speak English, though I persevered, learned the language and graduated from high school. I began working in a housekeeping role at Fetzer Vineyards after graduation. A mentor at the winery encouraged me to learn computer skills, and I was later promoted to an administrative office position, and eventually to a key role in the compliance department. Today, I help enable our company to navigate the complex world of regulatory compliance, so we can sell our quality wines nationally and globally. Fetzer Vineyards

has supported me in my journey of personal growth, while the company itself has grown and changed – but always remained focused on those shared values.

A SET OF SHARED VALUES

I am proud to consider myself a role model in my community, showing by example what can be accomplished by those who begin with little, but who remain positive and dedicated to the project of success. Fetzer Vineyards, too, is a role model – proof that a wine company can grow and flourish and inspire others along the way, while remaining focused on key values and the hard work at hand. Here in Hopland, and beyond our doors, I believe what we all have in common is a shared desire to leave the world a better place for people and communities.

THE ROAD AHEAD

Though our sustainability journey has been underway for many years, it's taken us some time to share these stories in a more formal way. Thank you for listening. As we look ahead, we are eager to continue to share our sustainability stories, as we continue to find ways to improve our practices and to refine our vision. In the meantime, we look forward to connecting with you each time you uncork one of our wines, as each is a tangible symbol of our worthwhile commitment to what matters most.

“WHAT WE ALL HAVE IN COMMON IS A SHARED DESIRE
TO LEAVE THE WORLD A BETTER PLACE.”
- INES COWEN



INES COWEN, REGULATORY COMPLIANCE SPECIALIST, FETZER VINEYARDS

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VINEYARDS

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