

2012 CORPORATE SOCIAL RESPONSIBILITY REPORT

We publish this annual review of our Corporate Social Responsibility mission to provide visibility into how our business practices integrate our social mission. Equally important is the discipline of measuring ourselves against our stated goals. The Bourbon Review has three pillars of social responsibility.

- Commit a minimum of 50 hours manpower per calendar year to philanthropic causes relating to improving the sustainability of Kentucky's land and water resources.
- Donate 1% of profits to causes that support our mission statement.
- Help promote the causes of Kentucky land and water preservation organizations through complimentary advertising.

Like other years, we reflect upon 2012 with some successes and some shortfalls, in terms of our dedication to our social mission. Writing about one's faults involves a disciplined attempt to cleave closely to the truth. Broadly, we achieved success for two of our pillars (volunteerism, profit donation) but we missed the mark on pillar three (complimentary advertising). First, is a summary analysis and the proposed remediation. Then there is an update and action-steps related to supply chain impacts, of this publication and the bourbon industry. All of this wouldn't have been possible without the support of the Sustainability Oversight Board (an unfortunate acronym).

Our annual stream cleanup and our profit donations were met with relative ease. But the root cause for not hitting the third pillar was a lack of accountability. There was not a penalty for failing to achieve a pillar (in this case, complimentary advertising). As such, effective immediately and retroactively, failure to hit pillars one or three (volunteerism or complimentary advertising) will trigger a "step-up" of commitment to pillar two (profit donation). If success towards the goal of a pillar is missed, then the penalty will be 2% of profits donated; if both pillar one and three are missed, then the penalty will be 3%. While it doesn't clear the guilt with the act, it is an additional control mechanism. *The Bourbon Review*, while in its 5th year of operations, is still a small company and is reinvesting profits. So, giving additional profits away is punitive in one sense, but it is one way of ensuring that we do what we can, where we can. For 2012, *The Bourbon Review* will donate \$1,100 towards non-profit organizations that are consistent with our commitment towards the sustainability of Kentucky's land and water resources.

In the past, direct donations have gone to Bluegrass Conservancy. Founded in 1995, Bluegrass Conservancy is a nonprofit land trust working to protect the Inner Bluegrass Region of Kentucky through land conservation for future generations (from their website). Through a portfolio of easements and various awareness channels, this organization helps to shape the footprint of Central Kentucky's development patterns in such a way that helps to maintain the ecological integrity, for future use. For 2012, *The Bourbon Review* has donated \$600 towards Bluegrass Conservancy, a 501(3)c.

In addition, a newly formed Ducks Unlimited chapter – also a 501(3)c was also given \$500. The new chapter seeks to help promote wetland preservation through awareness and various fundraising efforts. Together, with the donation to the Bluegrass Conservancy, *The Bourbon Review* has donated in excess of 3% of our 2012 profits, and hopes to continue in the spirit of giving, for many years to come.

The remaining frontier of sustainable business practices for *The Bourbon Review*, is to evaluate the supply chain of our own business and that of the bourbon industry. Step one, was gaining an awareness. The two

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obvious components to our lifecycle analysis are paper & ink. After some investigation, it's not clear that the paper impact on green house gasses is that severe. The U.S. recovery rate for paper is higher than any other commodity, including metals (34.5%), glass (25.5%) and plastics (7.1%). In 2010, more than 60% of all paper used in the U.S. was recovered for recycling (an 89% increase from levels in 1990); further, the industry is tracking towards their collective goal of achieving 70% by 2020. *The Bourbon Review* does use virgin paper, as of March 2013. The difference in price for 10% post-consumer recycled paper stock is 3%. It is counter-intuitive at first glance, but the fact is, that recycled paper is best used for card board or other uses. The chemical and energy use is reduced with virgin paper. In 2008, the first CSR report reflected an update to our masthead: "The product life cycle of our magazine ends, when you, the reader, decide to dispose of an issue." From there, we encourage the reader to avoid discarding old issues as general rubbish.


In the realm of ink, *The Bourbon Review* is using 7% soy-based ink. This is above the industry standard of 5%. There are many other upstream factors to the supply chain. We will publish a number of resources about the upstream factors on our website, for the general public to peruse. Efficiency gains are the frontier for the publishing industry, with regard to their operations of turning tree farms into paper, and all the other steps/practices of manufacturing print materials.

It is important to note, however, that *The Bourbon Review* was the first wine-and-spirits publication on the Apple Newsstand. This was a new publishing platform that began in late 2011. Within days of the announcement, we had a project plan and were able to launch by February 2012. The marginal cost of digital channels is far reduced from printing. As of March 2013, we are enjoying the fruits of many thousands of downloads, from more than 76 countries. Global 'thirst' for bourbon knowledge is bottomless, and digital publishing has allowed us to reach people in all these countries.

At present, the bourbon industry does not have a sustainability council. It's important to note the industry spans multi-national corporations that are publicly traded to craft distillers who are just beginning to age corn whiskey into newly charred oak white barrels. Griffin Vanmeter (board member) turned our attention towards the Milwaukee Water Council. This cluster of freshwater research and industry was born partly because of the interest of the breweries in the region, working in concert with the university research departments. It's only an idea at present, but Griff's energy and enthusiasm, combined with our industry platform, could result in something of a smaller scale. Awareness and engagement are a starting place.

With the help of our board members, we are able to connect with a far greater set of intelligent subject matter experts on Kentucky natural resource advocacy & legislative issues, lifecycle analysis frameworks, and Milwaukee Water Council ideas & innovation. I'm deeply grateful to the 2011/2012 members of the Sustainability Oversight Board. In 2013, we will look to add a bourbon industry representative to our board. The frontier of our opportunity lies with awareness of sustainable industry practices and self-examination. Please feel free to contact me with any thoughts, considerations, or recommendations. We welcome input from all stakeholders.

Bob Eidson, Co-Founder



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The 2012 Sustainability Oversight Board members: NURIT KATZ (Director of Sustainability, UCLA), KEN COOKE (Friends of Wolf Run, stream ecologist), and GRIFFIN VANMETER (Founder, Bullhorn Marketing – full service marketing firm; Founder, “Kentucky for Kentucky”).

To: Sustainability Oversight Board members

From: Bob Eidson, Co-Founder of *The Bourbon Review*

Date: March 8, 2013

Subject: End-of-year report card

Conf call: #605-715-4920 x136560 @ 6 pm EST (3 pm PST)

PILLAR	STATED GOAL	ACHIEVEMENT
I	50 hours of volunteer work, <i>relating to the sustainability of Kentucky's land & water resources</i>	52 hours
II	2% of profits donated to a non-profit (NOTE: goal is 1%)	<ul style="list-style-type: none"> ▪ \$500 donation to Ducks Unlimited ▪ \$600 donation to the Bluegrass Conservancy
III	Complimentary advertising to organizations that ensure the sustainability of Kentucky's land & water resources	NA

Effort	Work involved	No. of hours
Stream Cleanup Sunday, Sep 22 1 – 5 pm EST	<p>This was the third year in a row that we focussed on the Town Branch stream. It's a stream that runs through the downtown community of Lexington, KY. This event is held in conjunction with the Fayette Alliance (Sam Razor is the main POC). We focussed on a contiguous section of the creek and the embankments.</p> <p>For 2012, we brought 17 volunteers. Some spent an hour or two – some were there until well after 5 pm EST. In total, we cleared 4 dump trucks of debris and 50 large bags of garbage. Much of the focus was on removing invasive species of Japanese honeysuckle.</p>	52

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MINUTES FROM THE MEETING:

- I. Introduction
 - a. (G) = Griffin Van Meter; (B) = Bob Eidson; (N) = Nurit Katz; (K) = Ken Cooke;
- II. Overview of TBR's Social Mission
 - a. To enhance the sustainability of Kentucky's land and water resources
- III. Report Card & feedback
 - a. Pillar 1 (volunteer hours)
 - b. Pillar 2 (profits)
 - c. Pillar 3 (product)
- IV. Supply Chain impacts
 - a. Cluster:
 - i. G: Innovation Week, 1st week of June, in Milwaukee. Worthwhile to see. 25 water-based businesses that deal with water-based science. Brewers cleaning their water and by-product. City of Milwaukee (regional planner), wanted to brand the local economy, and draw attention to their PhDs in water science.
 - ii. K: Is that for service water, drinking water, or both?
 - iii. G: All types.
 - iv. B: Looking for a bourbon industry representative that can be that liaison.
 - v. K: With the readership, look to highlight the message in your content delivery platforms. In KY, the industry has struggled to contain pollution issues. Maybe not focus on the bad, but focus on the innovative.
 - b. KY Resource Council
 - i. B: I met with Tom FitzGerald, of KY Resource Council. We discussed his potential involvement in the sustainability work that we do. I like the idea of learning more about what his organization does, which is lobbying and legislative accountability. For example, he's going after AT&T, because they want to stop providing phone service to parts of eastern KY. There are ripple effects from that. In addition, we had hoped to make a donation to his organization, but he explicitly cannot take funds from a corporation. Makes total sense, and I felt a little stupid asking him. But he was kind about it.
 - ii. K: Are you looking to place funds elsewhere? Louisville has a Trout Unlimited organization.
 - iii. G: Claire Sipple, Chairperson for the KY River Authority.
 - iv. K: KY River Authority is a governmental organization, chartered by the state. They do have people on their board, that serve on KY Waterkeeper chapter. I like connecting the content of your magazine with the interests of bourbon and the source of water (limestone water). Go to the KY Division of Water (Peter Goodman), who knows groundwater (IE, he knows springs) and he knows the industry associations. Trick on your part, would be to avoid highlighting a group that... Little bit of diligence there. 3 major paper mills in KY. Two have major compliance issues, a lot of it is from the bleaching the paper white. West Vaco, users 1980s technology. probably use 25. Hawesville (on the Ohio River)... might not make newsprint. Paper Mill uses 1960s technology. Scott Paper Company.
 - v. K: Lastly, why don't we partner for a stream cleanup in late April. I'll get details over to you, but we could use your help in getting folks to the event.
 - vi. E: Great – let's do it.
 - c.



[please consider the environment before printing this correspondence]