



Left Coast Naturals Non-GMO Policy

Implementation Report – 12 month update



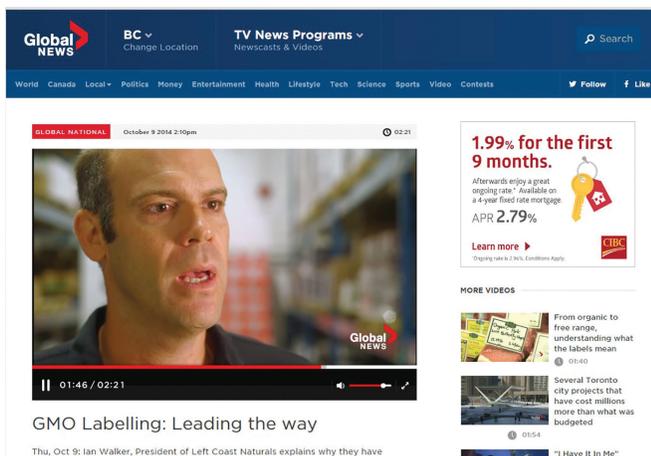
In January 2014, Left Coast Naturals implemented a Non-GMO Policy and as part of that policy roll out, we promised to formally report to our stakeholders on a bi-annual basis. After twelve months, we would like to share our learning and progress.

We have learned much in the last twelve months as we continue to operationalize our public commitment to ensure our catalogue is non-GMO by the end of 2015. And we've been learning alongside the brands, consumers and certifiers who are spearheading this movement toward a healthier and more transparent food system.

We've also worked to increase the public discussion of the Non-GMO cause. In October 2014, we worked with the Vancouver Food Policy Council to have Non-GMO Awareness Week proclaimed in Vancouver, and in partnership with Whole Foods Markets, GE Free BC, and Nature's Path, we hosted a reading of the proclamation, which received local media attention.



Non-GMO Awareness Week proclamation



Nationally, we were featured as part of a 4 part series on GMOs on Global television.

Progress Update

Bulk

Our Non-GMO Policy states that if a product is not certified organic, and contains ingredients that are at high risk of being GMO, we require them to have third party verification or lab test results confirming their Non-GMO status. The deadline for removal of products that don't fit our policy was December 31st, 2014.

As a result we did lose several products. The value of the nine (9) SKUs we discontinued will be over

GMO POLICY BY THE NUMBERS

Our Grocery Catalogue

480

NO. OF GROCERY SKUS WE CARRY

213 12 MONTHS AGO: NUMBER OF SKUS THAT ARE NON-GMO PROJECT VERIFIED AND/OR CERTIFIED ORGANIC

TODAY: NUMBER OF SKUS THAT ARE NON-GMO PROJECT VERIFIED AND/OR CERTIFIED ORGANIC 227

17 TODAY: OF THE 253 REMAINING SKUS IN OUR GROCERY CATALOG, ONLY 17 ARE OF CONCERN TO MEET OUR END OF 2015 DEADLINE.

Our Bulk Catalogue

238

NO. OF GROCERY SKUS WE CARRY

NO. OF SKUS WE DISCONTINUED DUE TO GMO CONCERN = 15

Decreased sales associated with discontinued SKUs \$215,000

1 Items that are still of concern

\$215,000 in sales in 2015. We're not sure who said it first, but we do believe that a true test of your mission and values is when your bottom line is affected, and we're proud to say that we do what we say we'll do, even when it hits the bottom line.

Of the SKUs that we needed to remove from our catalogue, we found that a few companies were aware of the potential GMO risk of their products, and had chosen not to reformulate. In most cases, suppliers had tried to source non-GMO ingredients, but

because of the nature of the ingredients or supply levels, could not make the change.

Progress

Our Bulk catalogue has been culled, and eight (8) SKUs were discontinued. Since our December 2014 deadline, we have also discovered a SKU that was in the queue to be Non-GMO Project Verified that has withdrawn. This SKU will be discontinued. We are currently sourcing a replacement SKU.

Good People Providing Good Food.



We are still in the process of reformulating one certified organic trail mix that we make in house, which includes an at risk item and therefore from our policy will require double verification via the Non-GMO Project, but we are continuing to sell the old formula during the transition. This decision was communicated to our retailers in a letter in mid-December.

Next Steps

Once the one internal SKU is reformulated, and the now dropped out SKU is delisted, we can officially call the catalogue Non-GMO. We expect these issues to be resolved by June 1st, 2015.

Our next focus will be on improving our communication in our catalogue regarding Non-GMO Project Verified SKUs.

During the process of examining our bulk catalogue, we discovered that at least one supplier had taken a different approach to addressing high risk ingredients. As part of the company's due diligence, they had identified their high risk ingredients, and sourced Non-GMO Project Verified ingredients, namely canola oil. By doing so, they have ensured that the high risk items are not GMO, and we feel satisfied that these products comply with the spirit of our policy. We have decided to revise our policy to permit products that can provide Non-GMO verification of at risk ingredients in their formulas. We have decided to make this change for several reasons that will be described in greater detail in the Learnings section at the end of this report.

Our Own Brands

Our policy for our own brands requires that products we make are held to a slightly higher standard than our bulk or grocery catalogue.

Our Non-GMO Policy states that if a product we make contains ingredients that are at high risk of being GMO, we require them to be Non-GMO Project

verified. The deadline for removal of products that don't fit our policy was December 31st, 2014.

Progress

We submitted all our Hippy Foods SKUs to the Non-GMO Project in June 2014. The verification process has taken much longer than the estimated six (6) months and nine (9) months later, we finally have all of our products verified. The level of detail requested by the verifier is more than we expected, and we also learned that providing the level of detail required is often a multi-step process.

In an attempt to make our deadline, we paid to have several SKUs fast-tracked, which was an additional expense.

Though our Hippy Snacks coconut chips, our best-selling SKU contain no high risk ingredients, we decided to have them verified as well for consistency.

We also had an interesting learning curve in our research and development process, going quite far down the road with a new flavoured of our popular coconut chip that contained an ingredient, a yeast, that was "enrolled" in the Non-GMO Project, only to find at the very end of the process that the enrolled yeast had not passed. This sent us back to the drawing board as we searched for another source that was either already verified, or more likely to pass verification. We had a difficult time finding a yeast that would pass, but we finally found one, an organic yeast. At this point, our new coconut chip is the only yeast flavoured product that has been Non-GMO Project verified! Though this search did delay our launch of the new product by about two months, we're proud to once again have a chance to trail blaze in non-GMO verification.

We have discontinued several SKUs of our Left Coast Tubs, as they contained items that we couldn't confirm were non-GMO. These items do not yet have an alternative organic or Non-GMO supplier in the market.

Good People Providing Good Food.

Next Steps

Once all the Hippy Foods products are evaluated by the Non-GMO Project, our further work will be to update packaging and marketing materials to reflect our verified status.

From an R&D perspective, we will be more cautious in further product development to ensure high risk items are already verified (not just enrolled) or certified organic.

Grocery

Our Non-GMO Policy states that if a grocery product is not certified organic, and contains ingredients that are at high risk of being GMO, we require them to have third party verification or lab test results confirming their Non-GMO status. The deadline for removal of products that don't fit our policy was December 31st, 2015.

While the Whole Foods Non-GMO Policy is causing ripples through our supply chain, we are finding that our grocery vendors, in certain categories, are facing bigger issues than delays in the verification process.

Of most concern is cleaning products and animal protein. Cleaning products are facing challenges because the powerful consumer demand for transparency in our food system has not yet carried over into their supply chain. For animal protein, the issue is one of supply. From the gelatin in gummy bears to the chicken in doggie treats, the supply is not catching up to demand. There just isn't enough organic or Non-GMO Project verified supply for brands to transition their recipes if they want to. We are forced to consider either exiting these categories, or extending the deadline for these categories.

Progress

Between now and our deadline at the end of the calendar year, we will continue to evaluate new products with the Non-GMO Policy lens, and continue

outreach to our suppliers to ensure that we're on top of SKUs of concern.

For new additions to our catalogue, we will continue to evaluate based on our policy, and our goal to have a catalogue that is non-GMO by the end of this year.

Learnings to Share

Our Sphere of Influence

Many brands have already been looking into the issue and many brands that manufacture in the US are preparing for the Whole Foods GMO labeling policy and therefore have made progress towards changing problematic ingredients or getting verification.

The Left Coast Naturals Non-GMO policy, though pioneering, is not a primary driver for our large US brand owners to convert ingredients or get verified. But we have had a few great opportunities to influence. Neal Brothers, a Canadian company with a line of better-for-you snack foods and condiments, worked with us to ensure that their most recent line extension, a line of gourmet mayos, would pass our Non-GMO Policy, and changed to organic eggs in their formula to ensure their non-GMO status.

Challenges as a Manufacturer

We make our own products under the Hippy Foods brand. As we develop new products within the parameters of our new policy, we are gaining great empathy for the brands in our catalogue who are trying to get verified. Wait times are long and even with additional hires at the Non-GMO Project, waits of more than six (6) months are common. The Non-GMO project has taken on a huge task - to create a third party verification system under a tidal wave of demand in its first years of existence is something no organic or fair trade certifier ever experienced. They face the onslaught with integrity, transparency and a clear intention to continually improve.

Good People Providing Good Food.



Non-GMO Project Verified vs. Containing No GMOs

From our experience with the yeast that did not pass verification, we gained a new understanding of the intention of the Non-GMO Project Standard. The NGP standard isn't a verification that a product is GMO-free. While this may seem like a paradox, we now understand that like organic certification, what the standard confirms is whether a product was created in a system that avoids GMO inputs. In the case of the rejected yeast we initially used in our new coconut chip, the method of production included sugar syrup that possibly contained GMOs. The syrup was filtered to the micron level, which for the producer, meant that any potential GMO proteins were removed, and the product was therefore non-GMO. But the Non-GMO Project standard doesn't reward removal of GMO material, it recognizes products created in a system that avoids GMOs. It's a fundamentally different perspective, and one that potential suppliers may not have grasped, so we need to be extra vigilant in the future when sourcing ingredients.

We also learned that with a multi-ingredient item, the technical administrators, who evaluate products based on the Non-GMO Project Standard, don't always look at high risk ingredients first. You really don't know if a product will pass until all ingredients have passed. Not an earth shattering revelation, but a good reminder about how expensive assumptions can be!

Problem Categories

We have found two categories, animal protein and natural cleaning, will not be able to comply with our policy by the deadline.

Animal Protein

When the Non-GMO Project Standard was developed, a decision was made to evaluate not only the animal, but also the animal's feed. This is more stringent than the EU's Non-GMO policy. It parallels organic standards to look at how an animal is fed, but

it is more stringent than the European Union's own model, and is definitely making it harder for farmers and brands to pass verification. It's especially hard for brands that are using animal based ingredients that would not be considered primary uses. For example, finding organic or Non-GMO verified gelatin or pet food grade meat that is verifiable is impossible.

It's not even as easy as switching to organic sources. Brands who would switch to organic are having a hard time finding enough supply too. And of course, changing the ingredient to organic can significantly increase the cost of materials for the producer, which will transfer down to the consumers. Again, if you aren't looking for the premium parts of the animal, supply is scant.

But we're hopeful. The Non-GMO Project recently struck a working group for manufacturers using animal protein in their products to look at the issue.

The gap between supply and demand for Non-GMO animal products really challenges our policy deadline. [We have decided to extend the deadline on animal products to December 31st, 2017.](#) This parallels the Whole Foods deadline, and it is our hope that this extension will give producers and the Non-GMO Project time to resolve the issues, or for supply to catch up.

Cleaning Products

[We have also decided to extend the deadline for cleaning products.](#) Again, we hope that we will see the supply chain catch up to the demand by the Whole Foods deadline, and hope that this key retailer's buying power will help turn the tide (pun intended) on this category's level of transparency.

Conclusion

We've made some hard decisions that have hit our bottom line already, from discontinuing items, to reformulations of our own products.

Good People Providing Good Food.

Our commitment to creating a fully non-GMO catalogue is not waning. It is however, being tempered by the realities of the market and supply. In animal protein and cleaning products, it may take us longer to get to our goal.

We have learned a lot about ourselves, suppliers, customers and the Non-GMO Project over the past year and will continue learning. The Non-GMO Project as a new third part certification body is also changing as they have to deal with a large variety of products and suppliers.

We will continue to share our learnings with you. We welcome inquiries, chances to talk shop or commiserate! Please reach out to us

[*goodpeople@leftcoastnaturals.com*](mailto:goodpeople@leftcoastnaturals.com)

Good People Providing Good Food.

©2015 LeftCoast Naturals. All rights Reserved.

1.877.769.6887 | www.leftcoastnaturals.com | 4612 Dawson St. Burnaby, B.C. V5C 4C3



Good People Providing Good Food.

©2015 LeftCoast Naturals. All rights Reserved.



1.877.769.6887 | www.leftcoastnaturals.com | 4612 Dawson St. Burnaby, B.C. V5C 4C3