



Kalsec, Inc.

Disclosure Report

Date Submitted: August 16th, 2023



Disclosure Materials

Certified B Corporations must complete a Disclosure Questionnaire to identify potentially sensitive issues related to the company (e.g. historical fines, sanctions, material litigation, or sensitive industry practices).

This component does not affect the company's score on the B Impact Assessment. If the company answers affirmatively to any items in the Disclosure Questionnaire that B Lab deems relevant for public stakeholders, then, as a condition of their certification, the company must:

- 1) Be transparent about details of the disclosure issues identified on the company's public B Impact Report
- 2) Describe how the company has addressed this issue
- 3) Demonstrate that management practices are in place to avoid similar issues from arising in the future, when necessary.

In all cases, the Standards Advisory council reserves the right to refuse certification if the company is ultimately deemed not to uphold the spirit and integrity of the community.

In addition to the voluntary indication of sensitive issues in the Disclosure Questionnaire, companies pursuing Certification also are subject to a background check by B Lab staff. Background checks include a review of public records, news sources, and search engines for company names, brands, executives/founders, and other relevant topics.

Sensitive issues identified through background checks may or may not be within the scope of questions in the Disclosure Questionnaire, but undergo the same review process and are subject to the same possible review by the Standards Advisory Council, including ineligibility for B Corp Certification, required remediation, or disclosure.

This document contains a copy of the company's completed Disclosure Questionnaire and related disclosure documentation provided by the company



Disclosure Questionnaire

Industries and Products

	Yes	No
Please indicate if the company is involved in production or trade in any of the following. Select Yes for all options that apply.		
Animal Products or Services	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Biodiversity Impacts	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Chemicals	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Disclosure Alcohol	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Disclosure Firearms Weapons	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Disclosure Mining	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Disclosure Pornography	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Disclosure Tobacco	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Energy and Emissions Intensive Industries	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Fossil fuels Gambling	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Genetically Modified Organisms	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Illegal Products or Subject to Phase Out	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Industries at Risk of Human Rights Violations	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Monoculture Agriculture	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Nuclear Power or Hazardous Materials	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Payday, Short Term, or High Interest Lending	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Water Intensive Industries	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Tax Advisory Services	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Outcomes & Penalties

	Yes	No
Please indicate if the company has had any formal complaint to a regulatory agency or been assessed any fine or sanction in the past five years for any of the following practices or policies. Check all that apply.		
Anti-Competitive Behavior	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Breaches of Confidential Information	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Bribery, Fraud, or Corruption	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Company has filed for bankruptcy	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Consumer Protection	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Financial Reporting, Taxes, Investments, or Loans	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Hazardous Discharges Into Air/Land/Water (Past 5 Yrs)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Labor Issues	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Large Scale Land Conversion, Acquisition, or Relocation	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Litigation or Arbitration	<input type="checkbox"/>	<input checked="" type="checkbox"/>
On-Site Fatality	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Penalties Assessed For Environmental Issues	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Political Contributions or International Affairs	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Recalls	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Significant Layoffs	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Violation of Indigenous Peoples Rights	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other	<input type="checkbox"/>	<input checked="" type="checkbox"/>



Practices

	Yes	No
Please indicate if the following statements are true regarding whether or not the company engages in the following practices. Check all that apply. If the statement is true, select "Yes." If false, select "No."		
Animal Testing	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Company/Suppliers Employ Under Age 15 (Or Other ILO Minimum Age)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Company prohibits freedom of association/collective bargaining	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Company workers are prisoners	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Conduct Business in Conflict Zones	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Confirmation of Right to Work	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Does not transparently report corporate financials to government	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Employs Individuals on Zero-Hour Contracts	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Facilities located in sensitive ecosystems	<input type="checkbox"/>	<input checked="" type="checkbox"/>
ID Cards Withheld or Penalties for Resignation	<input type="checkbox"/>	<input checked="" type="checkbox"/>
No formal Registration Under Domestic Regulations	<input type="checkbox"/>	<input checked="" type="checkbox"/>
No signed employment contracts for all workers	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Overtime For Hourly Workers Is Compulsory	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Payslips not provided to show wage calculation and deductions	<input type="checkbox"/>	<input checked="" type="checkbox"/>

	Yes	No
Sale of Data	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Tax Reduction Through Corporate Shells	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Workers cannot leave site during non-working hours	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Workers not Provided Clean Drinking Water or Toilets	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Workers paid below minimum wage	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Workers Under Bond	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Supply Chain Disclosures

	Yes	No
Please indicate if any of the following statements are true regarding your company's significant suppliers.		
Business in Conflict Zones	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Child or Forced Labor	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Negative Environmental Impact	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Negative Social Impact	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other	<input type="checkbox"/>	<input checked="" type="checkbox"/>



Disclosure Questionnaire Statement

Disclosure Questionnaire Category: Environmentally Intensive Industries - Biodiversity/Monoculture Impact

Topic	Biodiversity/Monoculture Impact
Summary of Issue	As an agricultural company, Kalsec, Inc. operates in an industry in which biodiversity impact is a material environmental issue.
Size/Scope of Issue (e.g. \$ financial implication, # of individuals affected)	Approximately 35% of Kalsec, Inc.'s revenue comes from products grown directly by the company. Kalsec, Inc. controls 518 in hectares or 1280 acres of land, of which approximately 100% is cultivated annually.
Impact on Stakeholders	Agriculture poses a risk to local ecosystems of flora and fauna as well as the potential degradation of cultivated land.
Implemented Management Practices	<p>The Company is a member of Sustainable Agriculture Initiative (SAI) Platform and have been assessing their farm practices since our membership (end of 2017) with the FSA Tool from SAI Platform. This tool provides adequate questions and guidance on the topic of biodiversity and confirms the most suited practices for the company's farm in the southwest Texas environment. Further the farm's fields are 160 acres, and are pivot irrigated- pivot approximately ¼ mile long. This makes each field a cultivated area of 125.6 acres (receives pivot irrigation) and 4 field corners not irrigated, they represent 11.5% of the total field area. These corners are left uncultivated and local grass/plant species grow there.</p> <p>No specific targets have been identified to increase biodiversity however, the company's national agricultural production (sourcing in Texas and Oklahoma) has been self assessing the farms with the FSA tool, since 2018. The company is not engaged in any harmful action regarding biodiversity, according to the criteria from the FSA tool.</p> <p>The company does not have any written plan for biodiversity yet - our common activity in these regions is about leaving endogenous species to grow in the corners of our pivot fields. The company does use fertilizers and pesticides on crops. The company uses best practices such as : for fertilizer: soil</p>

	analysis, in order to adjust the dosage. For pesticides the company uses commercial pesticides, bought from approved retailers, and approved for use on the crops, and based on the crop disease/needs. The company avoids applying treatments when there are winds.



Disclosure Questionnaire Statement

Disclosure Questionnaire Category: Environmentally Intensive Industries - Water Intensive Industries

Topic	Water Intensive Industries
Summary of Issue	As an agricultural company, Kalsec, Inc. operates in an industry that is water intensive. Kalsec has calculated their specific water intensity as 250 liters per kilogram of product sold. They use pivot irrigation in their fields.
Size/Scope of Issue (e.g. \$ financial implication, # of individuals affected)	100% of Kalsec, Inc.'s revenue comes from products originating from naturally grown substances requiring water. Additional processes such as cooling products use significant non-contact cooling water. This cooling water is from a well on site and is returned to recharge the well. In certain farm locations, there is competition for water as a resource where some farms do not have enough water availability in order to grow crops. 35% of Kalsec Inc's Revenue come from products grown by their company. They control 518 hectares of land, and 88.5% of their land is irrigated through center pivot irrigation.
Impact on Stakeholders	As a water intensive industry, agriculture poses risks such as water stress or depletion of local water sources if water use is not appropriately managed. For the Kalamazoo facility, the company uses local municipal water and this is not considered a water-stressed region. The company's facilities in Texas are in a water-stressed region. Their farms operate in SW Texas drawing water from the Ogallala Aquifer. Water resources are stressed on the land.
Implemented Management Practices	The company uses pivot irrigation for the crops grown on site. They did trial drip irrigation on their farms 15 years ago and it did not work. They know of other growers in the region who are having recent success with drip irrigation. With new technologies available for drip irrigation, it may be something they revisit in the future. To ensure our supplier farms are effectively managing the water resources they use in the water-stressed region in Texas, the company has reduced the amount we grow and are in contact with water experts to develop additional management and mitigation strategies. The Farm Manager is directly responsible for the responsible use of



	<p>water used in the company's fields. The company has an internally published goal to reduce overall water use at the Kalamazoo location by 10% by 2023 and has been working with an engineering team to develop design alternatives to reduce water in an energy efficient manner. We do not yet screen suppliers or offer implementation support for farming practices to minimize water use and encourage best practices. However, we do assess some suppliers through the Cool Farms Tools for best practices, and we work with Texas Tech in Lubbock TX for a better understanding of water availability and best practices. Some of that knowledge is shared with our regional growers.</p>
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Disclosure Questionnaire Statement

Disclosure Questionnaire Category: Environmentally Intensive Industries - Energy Intensive Industries

Topic	Energy Intensive Industries
Summary of Issue	As an agricultural company, Kalsec, Inc. operates in an industry that is energy intensive.
Size/Scope of Issue (e.g. \$ financial implication, # of individuals affected)	Approximately 35% of Kalsec, Inc.'s revenue comes from products grown directly by the company. Kalsec, Inc. controls 518 in hectares or 1280 acres of land, of which approximately 100% is cultivated annually.
Impact on Stakeholders	Company is involved in the production/sale of products, or is part of an industry that can potentially be classified as energy and emission-intensive, meaning that they are more likely to have significant impacts on the environment based on their carbon emissions associated with their operations and their contribution to climate change. Certified B Corps are required to make transparent their involvement in such activities or industries.
Implemented Management Practices	<p>The company's core value stream is similar to equipment used in chemical manufacturing, which is energy intensive using both electricity and fuels for process heating. This includes drying products from the field, extracting and standardizing value components from natural products and liquid blending operations. The most significant is natural gas, followed by electricity, some solar and some fossil fuels for vehicles.</p> <p>The company's purchased Goods & Services (Scope 1/Cat1) are 70% of the company's total carbon footprint. 7.5% from Natural Gas (Scope 1) and 5.2% Electricity (Scope 2), 5.3% transportation (Scope 3/Cat 4&9), 3.9% from Capital Goods (Scope 3/Cat2).</p> <p>Further the company has partnered with Foresight (3rd party) to create a global energy dashboard and to oversee and publish our annual GHG inventory going from 2019 forward. The company has been participating in S-LoCT (Supplier Leadership on Climate Transition) for 2 years working towards setting science based targets. The company committed formally to SBTi in 2022 to set 1.5 GHG reduction targets and NetZero by</p>

	<p>2050 targets. The company has set its corporate goal to NetZero by 2050 and have a task force created to set the abatement strategy by Sept 2023, review with the board in Oct 2023 and submit to SBTi for review and confirmation as science based targets. The company has engaged with Kalamazoo Energy Collective to identify energy reductions in the warehouses, ThermalTech Engineering (TTE) performed an energy assessment for the Kalamazoo facility and UE engineering team is developing utility projects to reduce our GHG emissions due to energy use. The company contracted with SouthPole to develop Product carbon footprint for one of the significant vertically integrated product lines, capsicum and are about 75% complete self-performing PCF for Rosemary, another significant vertically integrated product line.</p>