

ELEMENTS

informational newsletter from pacific northern, inc.



Dear Readers,

Economic globalization is an ever growing phenomenon all countries experience today. We live in a world where economic relationships and inter-dependence between countries continue to develop in spite of frequent interferences by politics, wars and forces of nature. That said the subject of environmental sustainability is not a matter of internal politics of one country, but a global initiative essential for the ecology of the whole planet.

What was fringe just a few years ago has gone mainstream. Green subjects grace the cover of every major magazine. Stories about environmental issues are daily news fare. We see more "green" products on the shelves. Gasoline-electric hybrid cars are gaining in popularity.

Businesses are also making efforts to reduce their impact on the environment by reducing product packaging, increasing the recycled content of products, pushing suppliers to stop using certain chemicals in products, using more renewable energy and reducing the amount of generated waste.

We, at Pacific Northern, have joined the ranks of many businesses that strive to make a difference for the environmental sustainability. On the pages of this newsletter, you can read about the progress we have made in all spheres of our operations, from corporate to production and distribution, to eco-friendly products. We have also included information regarding leading trends in the European "green" movement, and definitions of "green" terminology to make understanding of this subject easier.

We hope you will find this information interesting, and perhaps consider joining the ranks of the global "green" movement.

Eddie Lee
Chairman and CEO
Pacific Northern, Inc.

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EUROPE

Leader in Green Trends

Currently, Europe is leading the global trend of environmental sustainability. Working closely with our European customers, Pacific Northern keeps a close watch on the efforts the European community is putting forth towards the overall "greening" of the world. Here are a few of them:

The European Paper industry has laid down a new objective to achieve the recycling of 66 percent of all paper products by 2010. More than half of the paper used in Europe today is manufactured starting from recycled sources.

European legislation promotes the use of renewable sources. Various industries, with governmental support, are introducing the replacement of petrochemicals (oil-derived) with oleochemicals, (produced from natural resources), such as animal fats and vegetable oils. Oleochemicals, widely used in soaps, cosmetics and pharmaceuticals, will now be applied in the production of plastics, rubber, lubricants, cleaners, detergents, coatings and paints.

European studies show that products with "green" labels have a high level of purchase impact. The European Union is planning an introduction of carbon footprint on the labels of all foods manufactured in Europe. The carbon footprint will indicate the level of transport emissions, or energy and water needed to produce each product. It is believed that this type of labeling will help consumers make educated decisions and develop "green" eating habits.



PN Corporate Initiative Environmental Sustainability

The topic of Environmental Sustainability is certainly not new. However, in the past several years, it has turned from a subject debated in the scientific and political circles, into a common household topic. The issues of environmental pollution and global warming no longer require measurable proofs - in most parts of the world, we can simply feel them in our everyday life.

This in itself is probably the main reason why a large number of businesses willingly accepted the initiative of environmental sustainability, and are on the way to converting their operations onto a "Green Street".

Starting in 2005, Pacific Northern initiated and implemented an environmentally friendly operations program and has continued on this path ever since.

This initiative required a multi-faceted approach, addressing all aspects of operations: corporate, production and distribution. It is a common belief that sustainability is expensive. In fact it doesn't have to cost more. Some efficiencies may in fact reduce the long-term costs. In the corporate office, PN reviewed electrical usage and installed energy efficient lighting in our warehousing facilities, information storage and transfer is progressing towards a paperless variety, and even such small elements as office waste recycling show our company's determination to make every little bit count in the efforts towards a healthier environment.

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Of course, production and distribution are the main components of our operations. We started with reviewing the usage of materials. Our fabric vendors supplied us with certifications that their materials are ecologically correct, and even have a number of options (in suede-like fabrics) that are produced of recycled fibers. Now PN is utilizing 30% of recycled acrylic, 50% and 100% of different types of adhesive and cardboard, 50% of recycled polyvinyl chloride rolls, and is on the way to completely eliminate environmentally unfriendly packaging. As of 2008, Pacific Northern replaced over 60% of its packaging materials to biodegradable honeycomb cardboard and tissue paper, eliminating previously used foam and plastic bags.



Consolidation of product into bulk shipments is another important facet of environmentally friendly operations. With proper preplanning, it offers an overall decrease in fuel consumption, and also provides transportation savings both to Pacific Northern and to our customers. The conversion of many of our projects from Italian-made to Chinese-made fabrics has

eliminated countless air shipments, which has also produced a tremendous positive effect.

The change is never easy, but it doesn't have to come as a struggle. Pacific Northern started internally – recycling, using environmentally friendly materials, and then continuing down to creating solutions to

minimize the impact of our business to improve sustainability. When we add up the millions of small changes that the business community can deliver, we can only imagine the positive impact on the world.

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GREEN PACKAGING Environmentally Friendly Solutions

In an effort to meet consumer demand for "Green packaging", Pacific Northern has developed a line of eco-friendly packaging for our clients who have taken the leading role in this important trend.

In 2007, PN researched a wide variety of ways to enact an Environmentally Friendly Packaging Program that would offer our customers the best and most affordable green packaging solutions. Through our wide, in-house, China-based sourcing network, we have succeeded in obtaining a variety of materials with "green" features. The following are new environmentally friendly options of packaging we can offer:

- ☛ **Made of recycled materials in varying percentages**
- ☛ **Capable of being recycled after use**
- ☛ **Worthy of a recycled logo**
- ☛ **Made of seed paper or paperboard that actually grows flowers when planted after use**
- ☛ **Made of stone based paper that contains no organic matter**
- ☛ **Made with alternative, green-based interior pad options**

Although recycled packaging tends to be more costly than conventional options, PN has found ways to reduce costs on many alternatives to make "Going Green" more affordable.



"Eco-Friendly" Packaging offered by Pacific Northern

"GREEN" GLOSSARY - REFERENCE GUIDE

Biodegradable: The ability of a material to be broken down into simpler compounds by microorganisms.

Environmentally preferable products: Products that have a lesser effect on human health and the environment when compared with competing products.

Group packaging/Secondary packaging: P-O-P packaging that does not come in contact with the product and can be removed without affecting the product unit's characteristics. A toothpaste tube's carton and shipping case are examples.

Post-consumer materials: Materials that have already served their intended use and have been recycled as a raw material.

Pre-consumer materials: Materials destined for disposal had they not been diverted from the waste stream for reuse or recycling.

Price preference: When a purchasing agency is willing to pay a higher price for recycled or environmentally preferable products.

Reclaimed: A specialized process of cleaning and refurbishing a product for reuse.

Recovered materials: Waste materials and byproducts diverted from solid waste, including post-consumer materials.

Recyclable: The ability of a product to be diverted from the solid-waste stream.

Recycled: A product that includes materials diverted from the solid waste stream.

Remanufacturing: The dismantling of a product for cleaning and repair for the same use.

Reuse: Repairing, refurbishing, washing or recovering worn products and using for the same purpose.

"The Three R's": The EPA's trilogy of Reduce (minimize the amount of trash), Reuse (refurbishing and repairing products for longer life), and Recycle (buying products with recycled content and diverting more materials from the solid waste stream).



Recyclable paper that can be collected for the fibers to be reclaimed



Post-consumer recovered fiber is reclaimed fiber from materials that have met their end use and have been collected to reclaim the fiber.



Recycled post consumer, made with materials that were recycled by residents and businesses.



The Forest Stewardship Council certifies wood and wood products that are responsibly harvested and processed.

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