

STRENGTH THROUGH RESPONSIBILITY

Corporate Environmental Responsibility Report 2012



ABOUT THIS REPORT

In our first Davey Tree Expert Company (Davey) Corporate Environmental Responsibility (CER) Report, we brief our readers about the Company's polices and approach to responsible stewardship. Environmental responsibility initiatives have been integral to the Company since its founding in 1880. In 2007, a cross-functional CER team formalized Davey's stewardship and environmental management policies. The progress and momentum of the CER team informed and catalyzed the creation of this Report.

The aim of this Report, covering the 2012 reporting period, is to establish an open dialogue on how Davey addresses and continuously improves the sustainability of its business. This is our first public CER Report; however, we will continue a reporting process to engage with and invite feedback from our employee owners, clients, suppliers and industry partners.

Davey is committed to upholding CER across the business. We will integrate environmental considerations into business decisions and client services. We will adhere to stringent operating standards and continuously improve our professional services. We will inform all Davey employees about pertinent environmental issues and ensure they remain stewards of the environment.



OUR COMMITMENT

For over a century, The Davey Company has embraced the connection between our clients, employees and our passion around caring for trees and landscapes. Today, we view the balance of corporate health and environmental stewardship as a business imperative. It is our mission to ensure that today's business practices are not a detriment to tomorrow's landscape.

Strength Through Responsibility represents our commitment to incorporate environmentally responsible initiatives into our corporate strategic plan objectives. The successes we achieve in the areas of smart growth, excellent client experience, employee strength, financial sustainability and differentiating our brand can be accomplished in conjunction with the correct focus on environmental responsibility. We believe that existing initiatives and greater engagement by our clients and employees will also result from the work we do as corporate environmental stewards. Our history, our culture and our clients urge us to advance a strategic plan that includes the many benefits derived from environmental awareness.

We are proud of our past success and mindful of the effort and contributions of our most valued asset: our employees. Davey embodies a passionate workforce that provides innovative solutions for our clients through responsible, science-based actions, advanced technical research and sustainable business practices. This is our commitment and it distinguishes us from our competition.

We have a clear vision of our goals and the integral role environmental responsibility has throughout Davey's business segments. Looking forward, our Proven Solutions approach will continue to integrate sustainability and operational success. It is my pleasure to share this vision with you and to report our CER performance and aspirations.

Karl Warnke, Chairman, President & CEO

ORGANIZATION PROFILE

Davey was founded in 1880 and provides professional tree, landscape and environmental services throughout the United States and Canada. In 2012, Davey had nearly 7,000 employees and was ranked as the 18th largest employee owned company in the United States, according to the National Center for Employee Ownership (NCEO).

Governance

We commit to integrating environmental considerations into all business decisions, including planning and delivery of new and existing services, products and business opportunities. Our corporate governance guidelines and employee ownership model advances our goal to have all employees, officers and directors fully informed about environmental issues and held responsible for our environmental performance.

Our Business Segments

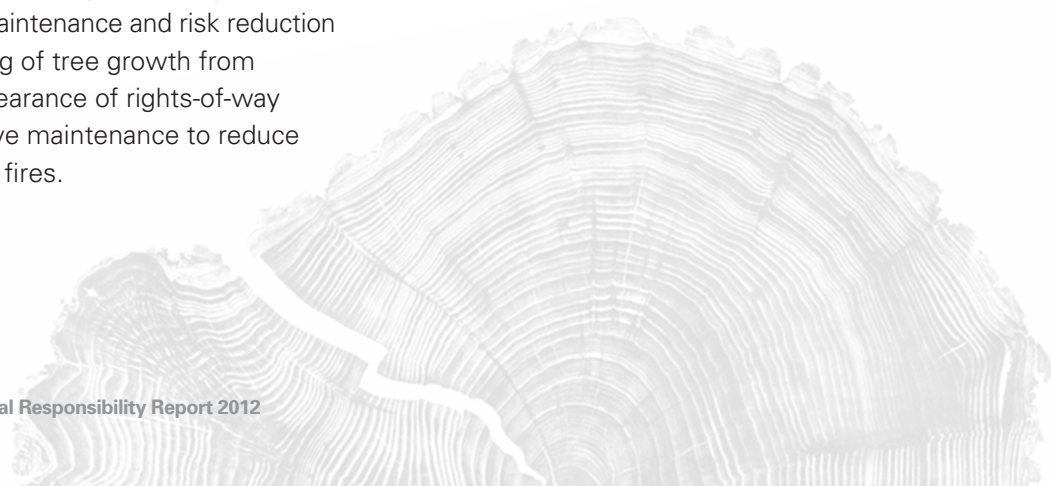
- **Residential and Commercial Services:** Residential and Commercial Services provides for the treatment, preservation, maintenance, cultivation, planting and removal of trees, landscape care and other grounds management for residential, commercial, government and institutional clients.
- **Utility Services:** Utility Services provides preventative maintenance and risk reduction through clearing of tree growth from power lines, clearance of rights-of-way and preventative maintenance to reduce the risk of wild fires.

- **Other Businesses:** Davey provides other consulting services for utility asset management, vegetation management, urban forestry and environmental planning through the Davey Resource Group (DRG). The Davey Institute leads research and development and assists our segments to determine best management practices used at the client site. The Institute also provides education and training, technical services and environmental programs.

The Davey Difference

Many things differentiate Davey—our people, research, industry expertise and quality of client service. The Davey Difference is the passion that drives our employee owned Company:

- Drive for delivering exceptional client service
- Commitment to a safe and productive workplace
- Developing products and services built on sound science
- Dedication to sound environmental policy and stewardship





Industry Leadership

The industry recognizes Davey as a leader for our commitment to continually improve the practice and management of tree and landscape care. Davey demonstrates leadership as a Board or Committee member at local, national and international professional arboriculture and grounds care organizations such as the Tree Care Industry Association (TCIA), International Society of Arboriculture (ISA), The Nature Conservancy, American Forests and the

National Urban and Community Forestry Advisory Council (NUCFAC). The Davey Foundation supports causes in the local communities where we operate. To that end, we received the Arbor Day Foundation's Beacon Award in 2012 for our commitment to consistently maintain high integrity in the field of tree care and management and for our financial contributions to advance strategic leadership of the tree care profession.





i-Tree Software Suite

The Davey Institute cooperatively developed the i-Tree software suite, which allows communities to strengthen their urban forest management by quantifying the benefits and services that trees provide. By better understanding the ecosystem services that trees provide, i-Tree users can link urban forest management activities with environmental quality and community livability. Davey worked alongside the USDA Forest Service, Arbor Day Foundation, Society of Municipal Arborists, International Society of Arboriculture and Casey Trees to develop the tools. i-Tree is considered the industry standard for assessing tree and community forest benefits.



SUSTAINABLE SOLUTIONS

Davey has developed environmental policies based on a commitment to environmental stewardship, advanced technical research and innovative business practices. Davey believes these deeply valued policies will minimize environmental impact and provide exceptional services to our clients. Our goal is to enhance performance by driving efficiency, new innovations, and employee and client loyalty.

Environmental Stewardship and Legacy of the Tree Doctor

Environmental stewardship has been part of Davey's business since the Company was established in 1880. Our mission is to both manage the impacts of our own operations and apply technical expertise to plant health care so that "today's business practices are not a detriment to tomorrow's landscape." Through that lens, we provide responsible and effective solutions to our clients.

John Davey knew the meaning of environmental stewardship. He was passionate about tree care and conservation. He was inspired to teach people how to care for their trees and with that he launched The Davey Tree Expert Company. His book, *The Tree Doctor*, laid out his scientific methodology for preserving a tree's health by explaining the anatomy of a tree, how to keep it in balance and promoting stewardship through effective tree care.

The methodology was formalized with the creation of the Davey Institute of Tree Surgery, which trained employees on Davey's scientific tree care techniques and ingrained a commitment to corporate environmental responsibility. Teaching new tree care experts expanded the Davey business and provided a viable avenue for more communities to save and care for their trees.

This foundation on science and stewardship grounded Davey as a leader in arboriculture and plant health care. Today, our services have expanded and our professional teams and technical staff are responding to our clients' needs to provide diverse plant care solutions that include environmental responsibility.

Davey Institute and Innovation

The Davey Institute focuses on the future of plant health and landscape care by innovating the services we provide. We pursue research that expands our knowledge of landscapes, their elements and improving overall management. We ensure our teams have advanced technical knowledge of the products and services we offer our clients.

The Institute has four focus areas:

- 1. Research and Development:** We focus on expanding our knowledge of ecosystem services, technical management tools, and identifying new plant care techniques, materials and services.
- 2. Technical Services:** Our scientists and technical advisors guide our field service teams to the best plant nutrition solutions, plant care, pest and disease management techniques.
- 3. Environmental Programs:** We work to protect our natural resources through our environmental management programs and to create robust policies to support them.
- 4. Education and Training Programs:** We provide ongoing education programs to field employees on the latest plant care techniques and products.



Sustainable Services: Promoting Ecosystem Services, Water Stewardship and Conservation

We strive to provide superior services for our clients while minimizing adverse environmental impacts. In doing so, we believe we add value for employee owners and the landscapes and communities we serve. Our sustainable solutions are based on safety, efficacy and economics.

Client demands have evolved with regards to tree, landscape and environmental services. As a leader in plant health care, Davey proactively guides clients towards stewardship and restoration of their environmental assets. We offer watershed management, wetlands and ecological consulting to help our clients address pressing natural resource issues and work to support the health of the whole ecosystem.



Trees Sustain and Rejuvenate Urban Areas

Rapid population growth in urban areas often results in a significant reduction in the tree canopy. Canopy loss has devastating impacts such as increasing the heat island effect and stormwater runoff. Davey offers sustainable management solutions for today's urban forests. The Davey Resource Group, for example, provides strategies, goals, policies, standards and actions to protect, enhance, expand and preserve our cities' tree canopy for the benefit of the community.



SUSTAINABLE OPERATIONS

Our operations are built on a commitment to responsibility by ensuring product and service efficacy and increasing organizational efficiency. Davey is focused on delivering the best services while being the best stewards of our environment.

Product Stewardship, Efficacy and Quality Assurance

Davey is committed to efficient and innovative operations that promote responsibility and environmental stewardship. We monitor the processes by which we operate and identify opportunities for improvement. We focus on goals that are measurable and material to the business.

Our approach is based on efficacy with the lowest environmental impact. We fully vet and test new products before introducing them to our service teams. Products are held to the highest quality standard and must produce consistent and cost-effective results.

We continue to test natural, biodegradable, organic options for tree treatment but hold them to the same standards of performance as conventional treatment and nutrition options. We look forward to including additional organic solutions as efficacy and environmental impact are balanced.

Environmental Policies and Regulatory Compliance

Our environmental policies are based on responsible, science-based actions, advanced technical research and sustainable business practices. We uphold integrity by fulfilling our environmental responsibilities through compliance with internal policies, applicable laws and regulations. Our environmental policies and ethical business practices enhance Davey's performance by driving efficiency, innovation, and employee and client loyalty.

Our Fleet Management Strategy Delivers



Our fleet fuel efficiency strategy delivers on its investment. We are right-sizing our vehicle fleet—migrating from heavy-duty trucks to smaller diesel cars for our sales teams. We are testing alternative (biosynthetic) lubricant options for our vehicle fleet to limit environmental impact and extend product life. We integrated lighter bucket trucks that operate without a separate chipper engine. This new technology reduces noise pollution, emissions and fuel use by an estimated 500 gallons each year per unit. In addition, production increased because the detachable bed can be taken for waste disposal while crews continue to work at a job site. We added GPS technology in our truck fleet to optimize route mapping and better manage our crews' start and stop times. Finally, we centralized fuel purchases through fuel cards, allowing for better tracking and control of fuel consumption. This initiative has a projected savings of nearly \$100,000 over 10 years while reducing our GHG emissions.

Davey's environmental policy, adopted in 2011, affirms our dedication to environmental awareness, accountability and stewardship. It offers assurances to stakeholders that Davey is lawfully compliant, committed to pollution prevention and focused on improvements that minimize risk. It also serves as a framework for evaluating environmental performance and setting goals. The policy incorporates the Environmental Protection Agency's Environmental Management System criteria and ISO 14001 standards. We continuously strive to improve our performance standards beyond compliance.

Chemical Use

We promote stewardship standards and next generation nutrients to better protect trees and landscapes that enhance the value of properties and overall health of the communities. We manage our chemical use to ensure safety for our employees, our clients and the environment. We aim to reduce chemical pesticide use by improving techniques that achieve further reductions in non-compliance instances and overall use. At Davey, we initiated various strategies to advance our pesticide reduction initiative:

- Davey Institute developed pest timing charts based on annual degree days and phenological data, which more effectively targets susceptible stages for pest management.
- Plant health care treatments increase plant vitality, which reduces the potential for certain insects and diseases.
- The Institute's research led to the use of horticultural oils during the growing season, thus reducing the need for traditional pesticides. Previously, oils were only used during the dormant season.
- The Institute developed a phosphorus-free Arbor Green PRO® fertilizer formula in recognition of negative impacts excess phosphorus can have on our waterways and public health.

Energy Management and Fleet Fuel Efficiency

Managing our energy and fuel consumption effectively is paramount to Davey's business. We track our electricity, heating and fuel consumption as we make investments to increase efficiency throughout our operations and buildings. With nearly 6,500 vehicles in service, our fleet is a significant portion of our environmental footprint; therefore, we aim to purchase appropriate vehicles and tools that manage the productivity of the fleet more effectively. As a long-term goal, Davey will invest in higher-efficiency, alternative fuel trucks and heavy equipment.

Waste Management, Wood Waste and Packaging

At Davey, we believe in the responsible handling of waste generated from our operations. Where possible, we dispose of waste through source reduction and recycling. We are working toward a company-wide solution for comprehensive waste recycling and management.

Wood waste for Davey is also a significant area of impact. We strive to achieve a 100 percent wood recycling rate across our operations by identifying alternative uses for discarded wood (such as mulch) and finding locations that recycle the wood, including alternative energy plants and recycling centers. We estimated in 2012 that our Residential and Commercial business achieved a 97 percent recycling rate. The remaining three percent was mostly due to regulated material. We continue to track our wood waste and plan to achieve further reductions by finding alternative solutions when local sustainable solutions are unavailable.

PERFORMANCE DATA

Smart Growth & Responsible Environmental Management

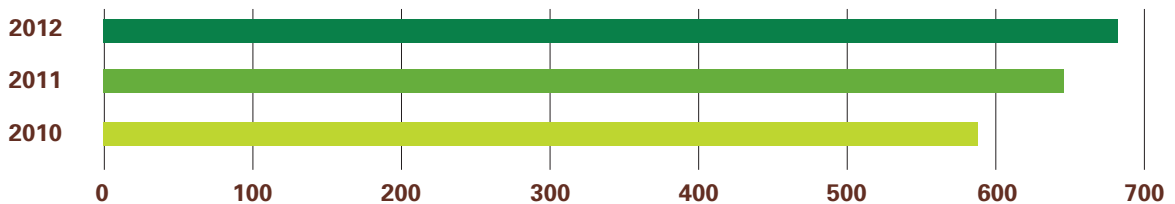
This summary of financial, environmental and social data captures a snapshot of Davey's recent performance. Data below, unless indicated, is FY2012.



GROWTH

Revenue for 2012 was \$680,153,000, an increase of 5.3% from 2011. Davey's stock price was \$23.20 per share in 2012. This reflects an increase of 17.8% over the year-end price in 2011.

Revenue (millions, USD)

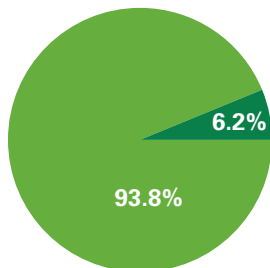


PEOPLE



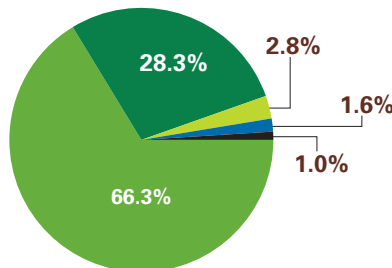
We will continue to work hard to attract and retain workers from diverse backgrounds. In 2012, we made progress attracting and retaining 432 female employees (6.2% of the total workforce) compared to 168 female workers (2.5% of the total workforce) in 2011.

Gender



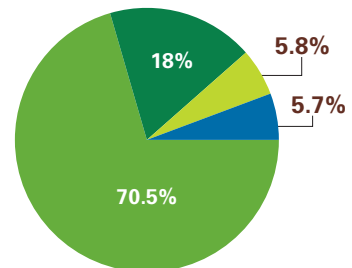
■ Male ■ Female

Ethnicity



■ Caucasian ■ Asian-Pacific ■ Other/Unknown
 ■ Hispanic ■ African American

Service Length



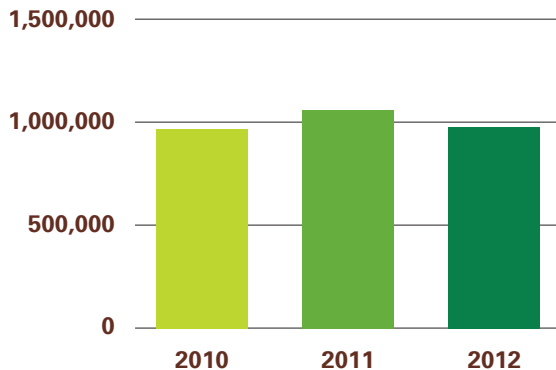
■ < 5 Years ■ 10-15 Years
 ■ 5-10 Years ■ > 15 Years

WASTE

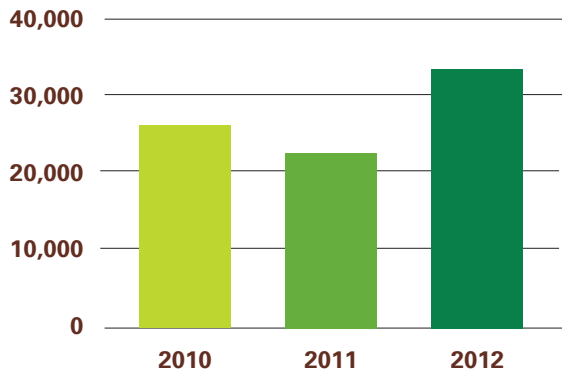


According to industry estimates, in addition to saving trees, every ton of recycled paper uses 64% less energy, 50% less water and causes 74% less air pollution than the same quantity of paper from virgin wood pulp. Recycling wood waste represents a responsibility as well as an opportunity for alternative wood products.

Wood Waste Generated (tons) all Davey



Paper/Paperboard Recycling (lbs.) US HQ



SAFETY

Davey's Road to Zero Program is our commitment to a safe and productive workplace. All employees share safe work practices and are trained using the latest safety techniques, technology and professional support.

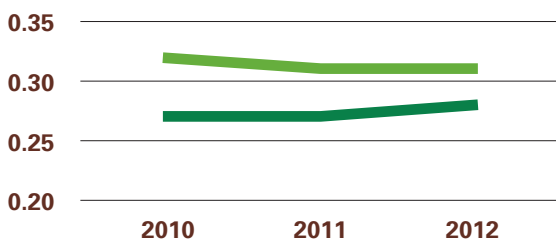
OSHA Recordables

	2010	2011	2012
Total Incident Rate	7.55	6.21	6.05
Lost Time Case (LTC) Rate	4.10	3.55	3.21

FUEL



Fuel Consumption (gallons/work hour)



Investing in fuel efficient vehicles, route optimization technology and fuel cards allowed Davey to hold fuel consumption per worker hour flat during a period of significant sales growth and market expansion.



TRAINING

**250,000
HOURS
OF TRAINING**

Most of Davey's training and educational programs have been approved for ISA arborist recertification credits. In 2012, nearly 250,000 hours of training was provided to Davey employees, representing an investment of \$4.2 million.

SUSTAINABLE WORKPLACE

Employee ownership at Davey has been a tradition since 1979, and is an essential part of the Company's culture and ongoing success. Employee ownership serves as a catalyst for Davey's future growth—it reinforces personal accountability and our commitment to a sustainable workplace.

Health and Safety

The health and safety of our employees, the public and our valued clients are paramount. We are committed to providing a safe and injury-free workplace. To achieve one of the top safety records in the industry, Davey provides employees with safety training and awareness, risk assessments, inspections and safety committees.

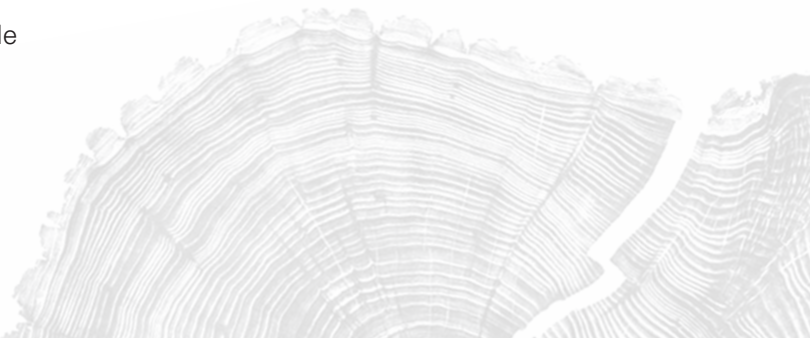
- **Safety Culture:** We care about our employees, environment and clients. Our certified tree care safety professionals and other experts demonstrate the latest safety techniques, technology and practices to support our employees and clients.
- **Road to Zero Program:** We encourage our employees to proactively correct unsafe conditions and achieve annual injury-free workplace goals. The program helped Davey safely establish a productive workplace that not only saves our clients additional costs, but also rewards our employee owners.
- **Health and Wellness Program:** Davey has in place a formal health and wellness program that encourages employees to adopt a healthier lifestyle through a tobacco pledge and annual health screenings.

Talent Management, Professional Training and Development

Since its founding, Davey has committed itself to making sure each employee has the tools he or she needs to deliver the best possible service to our clients. For this reason, professional development and continuous learning is core to our culture.

We offer on-the-job training around plant health care and safety. The Davey Institute's ongoing education programs ensure our employees are highly skilled and able to diagnose and treat a broad set of client issues. Our leading educational programs are recognized throughout the green industry.

- We recruit people who love trees and the outdoors. They are attracted by the opportunities a career with Davey and our Employee Stock Ownership Program can provide.
- Stock ownership creates a culture of tenure and loyalty. It is not surprising to meet Davey employees with 25 years or more of service.
- We offer a comprehensive training and career development curriculum through our Learning Management System and Certification and Education programs that provide advanced skills, professional courses and the ability to earn an associates degree in environmental management.





OPPORTUNITIES

Davey's commitment to reduce its environmental impact and deliver on its Smart Growth strategy is on track. Our Vision 20/20 incorporates environmental and social goals and does not compromise performance or quality standards.

We view environmental responsibility both as an important component of our corporate mission and as an opportunity to bring our industry expertise to new sustainable solutions. We are focused on three emerging business opportunities:

1. Investing in cleaner, more fuel efficient vehicles and heavy equipment. Route optimization technologies will also contribute to our goal of reducing our carbon emissions and fuel costs and potentially increasing the life cycle of our equipment.
2. Water is a critical natural resource and element of landscape maintenance, yet water quality and quantity issues are a recognized concern. Developing innovative solutions and water stewardship practices will benefit our clients and the environments where we operate.
3. Responsibly managing waste streams and, specifically, wood waste are significant opportunities to reduce financial and environmental costs associated with disposal and landfilling and can develop revenue by converting waste into a valuable resource.

Looking to the future, we will continue to devote our efforts to spur efficiency and innovation. We will build an enduring legacy of environmental performance and stewardship. We will continue to engage with our stakeholders to achieve smart growth and ensure that our environmental and quality standards remain second to none. Our future reports will continue to help us track these changes and communicate our achievements. Davey's journey began over one century ago; we look forward to the next.

CONTACT

Davey welcomes opinions on both the content of this Corporate Environmental Responsibility Report and the Company's overall performance in the area of sustainability.

All comments and opinions should be sent to CER@davey.com.

If you wish to contact us directly:

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