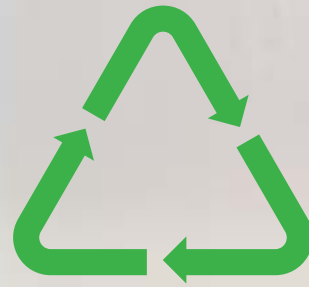


# SUSTAINABILITY REPORT



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# Integration. Commitment. Accountability.

Welcome to the Keurig Green Mountain, Inc. (Keurig) fiscal 2015 sustainability report. At Keurig, we have blended the disruptive innovation of a leading-edge technology company with the consumer focus of a socially conscious, premium beverage company. We're proud of our integrity, innovation, and growth over more than three decades. We aim to make every cup matter through individual and collective action.

This report highlights our efforts, including our progress toward our 2020 sustainability targets. Our work focuses on three key areas: our commitment to [Sustainable Products](#), including development of the recyclable

K-Cup® pod; creating [Strong Supply Chains](#); and supporting [Our People and Communities](#). An important theme to our work is [Clean Water for Everyone](#), a cross-cutting topic that impacts much of what we do.



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## Vice Chairman of the Board Letter

I'm very pleased to introduce our fiscal 2015 sustainability report in which we showcase the strong progress we have been making, particularly in key areas such as K-Cup® pod recyclability, water restoration, and livelihood improvement in our supply chains.

At Keurig, sustainability has been firmly embedded in our business since the Company's inception, and we continue to find ways to strengthen its integration into every aspect of our operations. I describe what we do here as applied sustainability: We take great ideas, ideals, and ethos and translate them into action on critical issues.

I write this letter as we have embarked on a new chapter in our Company's history. On March 3, 2016, Keurig and JAB Holding Company (JAB) announced the successful completion of the acquisition of Keurig by a JAB-led investor group. With the transaction complete, Keurig became a private company and an independent part of the JAB family and its leading global coffee platform.

Not long after the transaction, Keurig announced the appointment of Robert J. "Bob" Gamgort as chief executive, effective May 2. Bob comes to Keurig from Pinnacle Foods Inc., where he served as chief executive

officer for seven years and increased the value of the company by more than five times. Meanwhile, I have transitioned to vice chairman of the Keurig Board. It has been an absolute privilege to serve as the CEO of Keurig for the past four years, and I am excited to continue to be involved in supporting the Company's partnership strategy and innovation and technology pipeline in my capacity as a Board member. Knowing Bob and his track record, I am confident that, under his leadership, the Company will continue to grow for years to come.

As a private company, Keurig will be better positioned to invest in our business and the opportunities ahead of us. This transaction increases the value we can bring to our customers. It also protects our ability to invest in critical social responsibility issues, such as building a resilient supply chain and sourcing sustainable products. With JAB, we have a powerful partner to support our commitment to delivering innovative, sustainable beverage solutions for consumers.

I invite you to read the pages of this report to learn about our efforts over the last year and about our goals and targets for the future.

Sincerely,

**Brian Kelley**

Vice Chairman of the Board

June 1, 2016



*Brian Kelley*



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## Chief Sustainability Officer Letter

When people know who I am and what I do, I find I often can't escape the room — or the grocery store parking lot — without giving an update on where we are on K-Cup® pod recyclability. It's a topic that is top of mind for many and a priority for Keurig Green Mountain.

I don't think anyone would have guessed when the K-Cup® pod was invented how ubiquitous it would become. It has become so because it meets a need — for choice, for convenience, and for a high-quality, great tasting beverage every time. What many don't realize is that Keurig-made beverages can be a smart choice: They save coffee and water from being wasted, since 15% of every pot of coffee typically gets poured down the sink.

That being said, many of the benefits of the Keurig system have been overlooked because the K-Cup® pod has not been recyclable — until now. Recyclable K-Cup® pods started rolling off our production lines this spring and are now available for purchase in some of our most popular Green Mountain Coffee® and Van Houtte® varieties on [www.Keurig.com](http://www.Keurig.com).

This is the beginning of our journey to make all K-Cup® pods recyclable by 2020. We have begun the process of transitioning more than 100 manufacturing lines across eight North American production facilities. We are on track to have 100% of our K-Cup® pods converted to a recyclable format by 2020. When you consider our recyclable K-Mug™, K-Carafe®, and Vue® pods for sale today, the introduction of and transition to a recyclable K-Cup® pod solidifies Keurig's position as the industry's largest manufacturer of recyclable single-serve coffee pods. We are making exciting progress and that progress extends to our engagement and learning with the recycling community.

Through our work with plastics and recycling industry experts, we have learned a lot about the recyclability of small- and medium-sized items, including our K-Cup® pods and how they are handled at recycling facilities that separate and sort materials. We had long been told that our K-Cup® pods fall into the category of items that were too small to make it through the sorting equipment, and they would end up as waste.

As part of our journey to achieve a recyclable K-Cup® pod, we tested that theory for ourselves, running tens of



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thousands of our K-Cup® pods at three large North American recycling facilities. We discovered that, when emptied of used coffee grounds, the majority of pods can, in fact, make it to the container line to be available for recyclers to sort further to bales that will yield good prices on the market. This was very good news and just a starting point. We are already in the midst of next steps, which include sharing the results of our testing widely within the plastic and recycling communities; engaging and educating our consumers to recycle; and conducting more testing that focuses on optimization for sorting across the varied equipment that exists today at recycling facilities.

We believe the lessons we are learning about our K-Cup® pods can have benefits for manufacturers of small- and medium-sized plastic items, such as bottle caps, personal care product containers, and pill bottles, as well as benefits for the recycling system as a whole. By sharing what we learn about small item recycling, manufacturers and recyclers can benefit by keeping material out of the landfill and also by minimizing contamination to other kinds of materials being sorted at the same recycling facility. System change takes time, and we're committed to investing that time to push toward lasting, sustainable solutions.

### System Change in Our Supply Chain

As we work to affect change in the complex recycling system, I take inspiration from our long-standing programs with coffee farmers. Our commitment to improve the lives of farmers, build resilience in coffee communities, and ensure the long-term viability of quality coffee over the last 30-plus years has yielded incredible results and demonstrates that a systems change approach can be successful.

In late 2015, I had the opportunity to visit several coffee farms in Nicaragua where I saw first-hand how resilient farmers are in the face of great adversity and how they are innovating in simple but effective ways to make their lives better. Keurig funds a variety of projects that provide resources and information, enabling farmers to tackle the challenges of farming as a system. In other words, they aren't just learning about effective agricultural practices; they are also learning about income diversification and water management, all of which leads to improvements in their day-to-day lives.

I was particularly struck by the story of one Nicaraguan couple who started out with only two hectares of land on which to grow and sell coffee. After participating in one of the programs Keurig supports, they began to diversify their farm. Today, they have nine hectares of land on which they grow

## OUR VALUES

**We partner for mutual success.** Our boundaryless approach to collaboration creates benefits for all.

**We innovate with passion.** With courage and curiosity, we are shaping the future by redefining the consumer experience.

**We play to win.** Our team sets ambitious goals and meets each challenge with unified purpose and character.

**We brew a better world.** We use the power of business to make the world a better place.

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coffee, cultivate seeds for beans and corn, bake bread, and produce milk and cheese. The wife — who leads the efforts on the farm — now teaches other women how to diversify their farms and holds nutrition workshops.

The successes of that family aren't unique. We hear about such stories time and again, which is why we're so proud of the programs we fund and support: We can demonstrate that they are having a big impact.

### Water Stewardship

Our work to improve product impacts and resilience in our supply chain has been planned and executed with the long term and the whole system in mind. We have approached water stewardship in the same way. And our efforts are building at a critical time as water quality and infrastructure challenges have taken the spotlight in cities such as Flint, Michigan, and communities in the Lake Champlain basin in Vermont.

One of our 2020 targets is to balance the water used to make every Keurig® beverage by returning the same amount of water, ounce for ounce, to people and nature. We are doing this by partnering with organizations working on the ground to enhance watersheds, protect habitat, and improve water quality. This past year we announced The Nature Conservancy as a key partner to help us achieve this goal through the comprehensive work they are doing in Vermont, the Great Lakes, and with the Colorado River Delta. So far, we've balanced more than 524 million gallons — which is equivalent to the water in over 790 Olympic-sized swimming pools and nearly 80% of the water used to brew Keurig® beverages in 2015.

I encourage you to learn about all of these efforts, and more, in this report. I'm thrilled to share our progress with you and to invite you to follow our journey over the course of the coming months and years as we continue to deliver on our commitment to make every cup matter. As always, I welcome your feedback on our performance.

### Monique Oxender

Chief Sustainability Officer

June 1, 2016

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## Our Company

Keurig Green Mountain, Inc. is reimagining how beverages can be created, personalized, and enjoyed, fresh-made in homes and workplaces. We are a personal beverage system company revolutionizing the beverage experience through the power of innovative technology and strategic brand partnerships. With an expanding family of more than 80 beloved brands and more than 575 beverage varieties, our Keurig® hot and Keurig® KOLD™ beverage systems deliver great taste, convenience, and choice at the push of a button. As a company founded on social responsibility, we are committed to using the power of business to brew a better world through our work to build strong supply chains, sustainable products, thriving communities, and a water-secure world.



## Our Operations, Fiscal 2015

Approximately

**6,300\***

Employees worldwide

**\$498.3M**

Net income

**80+**

Brands available within the Keurig®  
beverage systems

**\$2.7B**

Stockholders' equity

**575+**

Beverage varieties

**\$3.14**

Net income per diluted share

**70**

Products available in a  
recyclable format

**\$38.2M**

Sustainability spend

**\$4.5B**

Net sales

\*The number of employees disclosed in this report is the average number of employees for fiscal 2015 and does not include temporary employees or employees on leave.



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OUR NORTH AMERICAN FACILITIES



A Unified Direction ...

**Purpose:** Create the ultimate beverage experience in every life we touch, from source to cup – transforming the way the world understands business.

**Mission:** A Keurig® brewer on every counter and a beverage for every occasion.

**Vision:** Become the world's leading personal beverage systems company.

9

Production facilities

2

R&D facilities

425+

Engineers & scientists\*

550

Patents issued globally\*

295

Global pending patent applications\*

\* End of fiscal year 2015.

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## Governance and Management

At Keurig, we are committed to operating our business with integrity and high ethical standards. We have put in place strong governance and management systems that drive effective oversight of, and accountability for, the way we conduct our business.

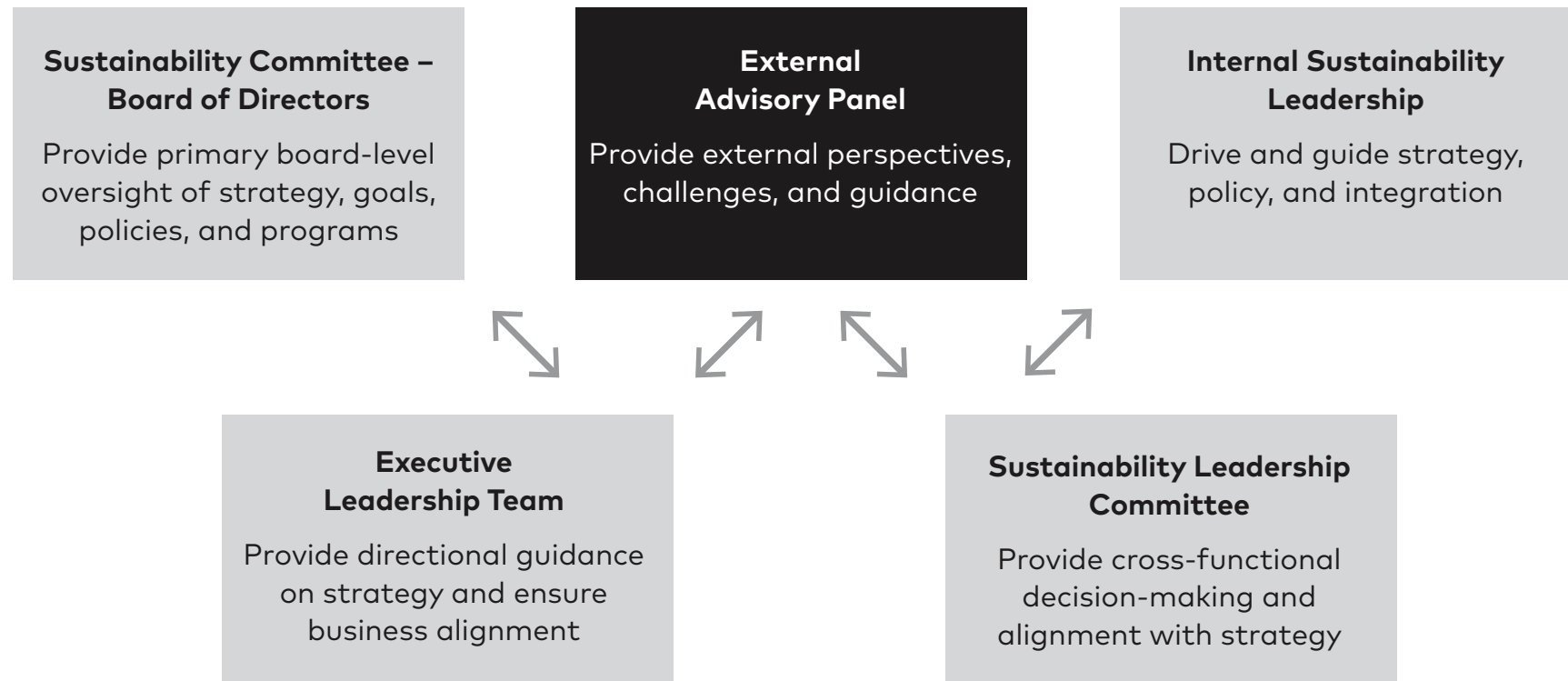
On March 3, 2016, Keurig and JAB Holding Company (JAB) announced the successful completion of the acquisition of Keurig by a JAB-led investor group. With the transaction complete, Keurig became a private company and an

independent part of the JAB family and its leading global coffee platform. The governance details below pertain to our fiscal 2015 year.

### Oversight and Accountability

In fiscal 2015, our Board of Directors provided oversight and accountability, guided by our detailed Corporate Governance Principles, via four committees: Audit and Finance, Governance and Nominating, Compensation and Organizational Development, and Sustainability. In fiscal 2015, our Board consisted of 11 members, 10 of whom were independent (as defined by NASDAQ Listing Rules).

#### OUR 2015 SUSTAINABILITY GOVERNANCE MODEL



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With the acquisition of Keurig by a JAB-led investor group, a new Company Board will oversee corporate governance.

The Sustainability Committee, which was established in 2008, had been in charge of overseeing all of Keurig's social and environmental initiatives, supporting alignment between the Company's activities and its sustainability targets.

The daily execution of Keurig's social and environmental initiatives has been led by Monique Oxender, our Chief Sustainability Officer.

We regularly evaluate our management of sustainability and other key business issues as part of our business performance review processes. We make adjustments to management approaches as needed based on these evaluations.

[Our Code of Conduct](#) helps us to create a corporate culture that values ethics and integrity. The Code, which explains how to integrate our purpose, mission, and values into daily decisions, provides guidance to all of our employees on everything from legal compliance and respect for human rights to avoiding anti-competitive behavior and conflicts of interest.

Employees are trained on the Code when they join the Company and are required to complete an interactive online training and certify annually that they have read and understood the Code. The Code underscores that how we do our work matters and that our personal decisions can have far-reaching consequences for all of our stakeholders.

KEURIG GREEN MOUNTAIN INTEGRATED SUSTAINABILITY MODEL



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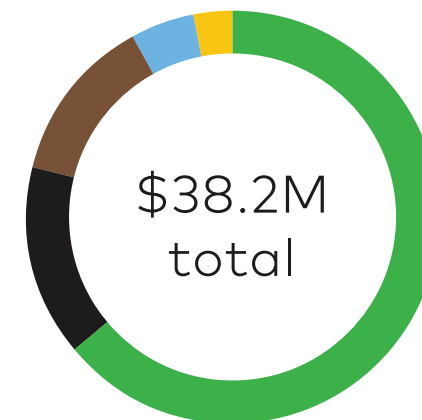
We are focused on building our brands, diversifying our product lines, and profitably growing our business. Our unique business model blends a combination of technology and beverage science. We innovate through a holistic system, designing the beverage pods, the beverage formulations, the hot system brewers and cold system drinkmakers and their components, as well as the manufacturing lines that make the portion pods. In other words, we design an entire system. This, along with our ability to create mutually beneficial partnerships, gives us an advantage in the marketplace. (For more information on our business, please see our [Fiscal Year 2015 10-K](#)).

Sustainability is an essential element of our culture and of our business performance. Our sustainability priorities and [2020 targets](#) are integrated into the plans and objectives of our business units and functions. Our governance and operating structure promotes coordination among business units and enables communication and cooperation in meeting our targets (see graphic on [p. 10](#)).

In fiscal 2015, the Sustainability Leadership Committee was comprised of direct reports to the executive leadership of the Company and served as the cross-functional decision-making body for sustainability at Keurig. Operating committees for each practice area have been meeting monthly to align activity with goals across the organization, providing timely updates and recommendations to the Sustainability Leadership Committee. Clean water is a cross-cutting issue for all practice areas.

Our sustainability strategy focuses on four primary efforts for which we are engaging across the value chain: sustainable products, clean water for everyone, strong supply chains, and our people and communities.

### SUSTAINABILITY SPEND, FISCAL 2015



<span style="color: green;">■</span> Fair Trade Social Premiums and Licensing Fees	<b>64%</b>
<span style="color: black;">■</span> Supply Chain Cash Grants	<b>15%</b>
<span style="color: brown;">■</span> Corporate Sustainability Programming	<b>13%</b>
<span style="color: blue;">■</span> Volunteerism and Employee Benefits	<b>5%</b>
<span style="color: yellow;">■</span> Domestic Cash Grants and Product Donations	<b>3%</b>

#### Sustainability Programming

In fiscal 2015, more than 5% of Keurig's pre-tax income went toward social and environmental programs and investments. In addition to livelihood improvement projects within our supply chain communities, we continued to work on our responsible sourcing target, including traceability of coffee purchased. Our commitment to employee engagement remained strong as evidenced by participation in volunteerism programs and matching donations. Considering the 2020 targets that we have set for ourselves, we invested in new or expanded areas that address some of our key sustainability challenges, such as recyclability.



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# Making Progress Toward Our 2020 Sustainability Targets

We have a set of ambitious targets that we intend to reach by 2020. The targets are business-driven and future-oriented. These targets are essential to our Company's success and to helping us Brew a Better World — and our employees are the key to helping us get there.

In this report, we share performance data where possible and discuss our progress qualitatively where performance indicators are in development.

\* Via certification or Keurig's traceability program.

## 2020 Targets

Engage 1 million people in our supply chains to significantly improve their livelihoods, including water security and climate resilience.



Source 100% of primary agricultural and manufactured products according to established Keurig Green Mountain responsible sourcing guidelines.



100% of K-Cup® pods will be recyclable.



Reduce life-cycle greenhouse gas (GHG) emissions of brewed beverages by 25% vs. 2012 baseline.



Achieve zero waste-to-landfill at our owned and operated manufacturing and distribution facilities.



Engage 100% of employees to understand our vision and values and present opportunities that allow them to contribute to our targets.



Balance 100% of the water used in our 2020 brewed beverage volume in all our beverages, ounce for ounce.



## Fiscal 2015 Progress

**282,220** People engaged to significantly improve their livelihoods.

**68%** Coffee traceable\*  
**23%** Coffee sustainably certified

First recyclable K-Cup® pods available for purchase in 2016.

**22%** U.S. coffee roasting energy reduction, per pound roasted.  
**9%** Vehicle fleet GHG emissions reduction, per kilometer.

**88%** Manufacturing waste diversion rate (up from 86% in 2014).

**74%** Surveyed employees who affirmed they "understand and contribute to the achievement of the Company's sustainability vision and targets."

**80%** The percentage of water we helped restore to people and nature based on the water used in our beverages in fiscal 2015 — a total of 524 million gallons.

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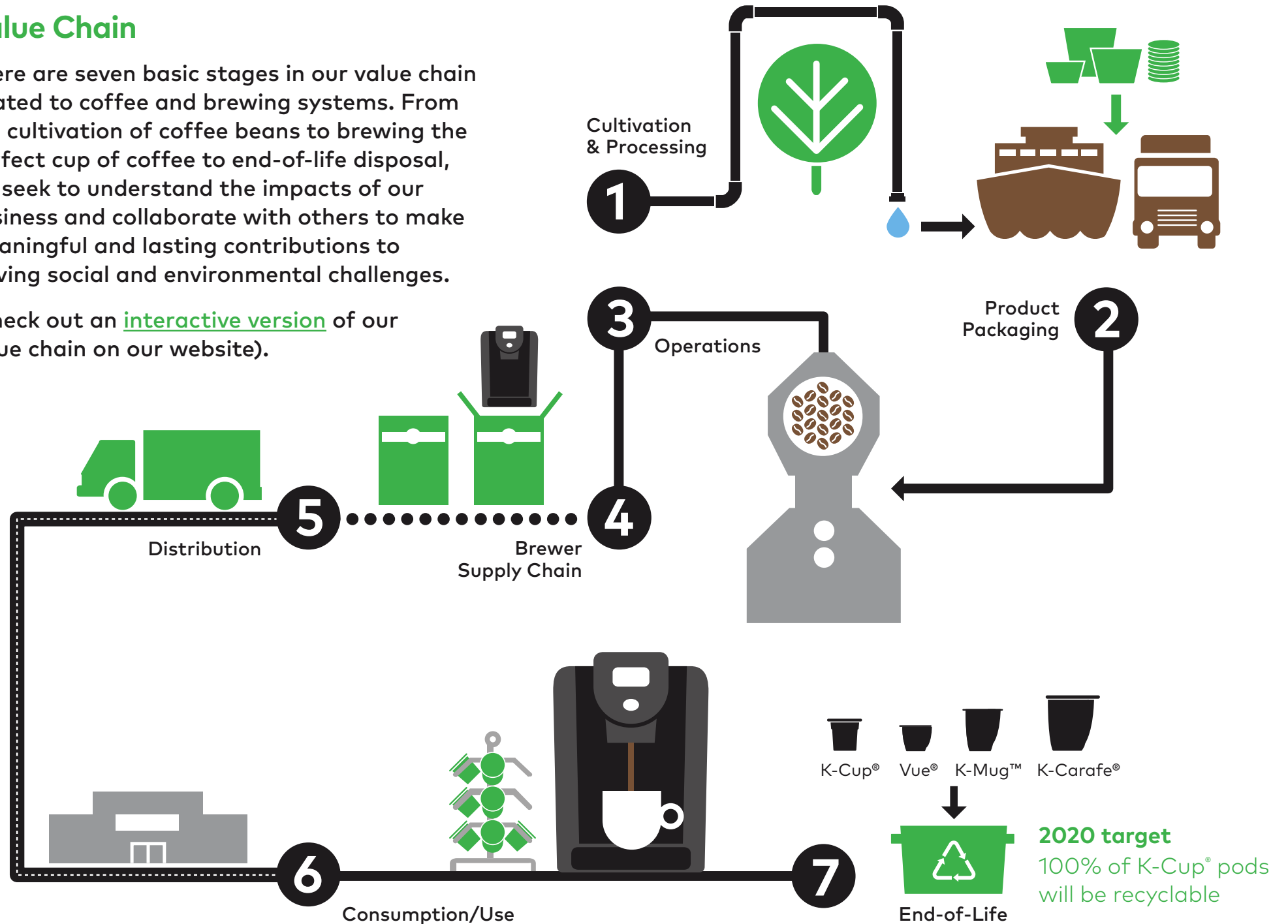
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## Value Chain

There are seven basic stages in our value chain related to coffee and brewing systems. From the cultivation of coffee beans to brewing the perfect cup of coffee to end-of-life disposal, we seek to understand the impacts of our business and collaborate with others to make meaningful and lasting contributions to solving social and environmental challenges.

(Check out an [interactive version](#) of our value chain on our website).



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## Materiality Analysis

We conducted our first formal materiality assessment in fiscal year 2012. Because the business and its related sustainability context have evolved, we conducted a refresh of this assessment in fiscal year 2015. This refresh was performed in collaboration with internal and external stakeholders and with the active support of our Company's Executive Leadership Team. This process included surveying our External Advisory Panel (EAP) and key internal stakeholders around new and changing issues; external third-party research around the shifting sustainability landscape as it relates to Keurig; and, finally, a review and validation of the results with the EAP, Executive Leadership Team, and other key internal stakeholders.

The results of this refreshed materiality assessment continue to inform the implementation of our sustainability strategy, including execution against our 2020 targets and the content of this report. Keurig believes our process for defining report content meets the Global Reporting Initiative's (GRI) principles for defining report content including stakeholder inclusiveness, sustainability context, materiality, and completeness.

### MATERIAL ISSUES BY VALUE CHAIN STAGE

SUPPLY CHAIN	OPERATIONS	PRODUCT USE/ POST-USE
 <b>All Supply Chain</b> <ul style="list-style-type: none"> <li>• Labor conditions</li> <li>• Climate change adaptation</li> <li>• Community development</li> <li>• Transparency</li> <li>• Waste management</li> <li>• Greenhouse gas emissions</li> </ul>	 <b>Employees</b> <ul style="list-style-type: none"> <li>• Diversity</li> <li>• Health and safety</li> <li>• Community relations</li> <li>• Transparency</li> <li>• Talent attraction and retention</li> <li>• Effective corporate culture</li> </ul>	 <b>All Product Use/ Post-use</b> <ul style="list-style-type: none"> <li>• Transparency</li> <li>• Consumer health and wellness</li> </ul>
 <b>Agriculture/ Ingredients</b> <ul style="list-style-type: none"> <li>• Farmer/supplier capacity building</li> <li>• Local food security</li> <li>• Land rights</li> <li>• Biodiversity</li> <li>• Soil health</li> <li>• Water quality</li> <li>• Water availability</li> <li>• Certifications</li> <li>• Genetically modified organisms (GMOs)</li> </ul>	 <b>Product Design/ Formulation</b> <ul style="list-style-type: none"> <li>• Sustainable brewer</li> <li>• Sustainable packaging</li> <li>• Sustainable beverage</li> <li>• Product safety</li> <li>• Capacity building on sustainability</li> </ul>	 <b>Brewer Use/ Beverage Consumption</b> <ul style="list-style-type: none"> <li>• Energy consumption</li> <li>• Water consumption</li> <li>• GHG emissions</li> <li>• Packaging waste</li> <li>• Brewer end-of-life</li> <li>• Nutritional benefits</li> <li>• Behavior change</li> </ul>
 <b>Brewer/Packaging</b> <ul style="list-style-type: none"> <li>• Conflict minerals</li> <li>• Primary vs. recycled raw materials</li> <li>• Materials of concern</li> </ul>	 <b>Product Manufacture</b> <ul style="list-style-type: none"> <li>• Energy use</li> <li>• GHG emissions</li> <li>• Climate change adaptation</li> <li>• Waste management</li> <li>• Water availability</li> <li>• Water quality</li> </ul>	 <b>Data Capture</b> <ul style="list-style-type: none"> <li>• Consumer privacy</li> </ul>

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## Fiscal 2015 Data Summary

		FISCAL 2013	FISCAL 2014	FISCAL 2015	
SUSTAINABLE PRODUCTS	Waste	Normalized solid waste to landfill (tons/million \$ net sales)	0.80	0.68	0.64
		Average waste diversion rate for manufacturing facilities	73%*	86%	88%
	Energy	Normalized direct energy metric (therms/\$1,000 sales) (including affiliate sales)**	2.18	2.38	2.25
		Greenhouse Gas (GHG) Emissions (short tons in thousands)***	Scope 1: Direct emissions	34	47
	Scope 2: Purchased electricity†		0	0	0
	Scope 3: Indirect emissions		129	90††	7,491†††
	Total estimated emissions		163	136	7,530

\* Includes data from our Toronto manufacturing facility, which closed in March 2014.

\*\* Beginning in fiscal 2015, we updated how we calculate Scope 3 energy use. As a result, our normalized energy metric now includes only Scope 1 and Scope 2 energy use. Normalized energy data from past years has been updated to reflect these changes.

\*\*\* In fiscal 2014, Keurig Green Mountain, Inc. implemented a carbon accounting inventory system that is in alignment with the Greenhouse Gas Protocol's Reporting Standard emission factors. Fiscal 2013 information is not restated based on these new factors.

† We purchase renewable electricity in the form of Green-e certified renewable energy certificates. Consistent with U.S. Environmental Protection Agency guidance, we began recording zero Scope 2 emissions based on our purchase of renewable energy in fiscal 2010.

†† Beginning in fiscal 2014, we stopped including energy use from employee commuting and corporate travel in our Scope 3 data set. Fiscal 2014 Scope 3 data includes energy used in transportation of raw material and finished goods by third-party logistics partners to and from Keurig-owned or leased facilities.

††† Beginning in fiscal 2015, we began tracking a more comprehensive set of data for Scope 3. Our Scope 3 data now includes energy used in transportation of raw material and finished goods by third-party logistics partners to and from Keurig-owned or leased facilities, the energy needed to produce our brewers and packaging materials, and the energy consumed when the brewers are used. We have not restated prior years according to this new definition.



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FISCAL 2015 DATA SUMMARY

			FISCAL 2013	FISCAL 2014	FISCAL 2015
STRONG SUPPLY CHAINS	Coffee Sourcing	Total pounds coffee traceable via certification or Keurig's traceability program	147,416/ 68.4%	145,644/ 64%	168,111/ 68%
		Coffee sustainably certified	Not available	Not available	23%
	Coffee Farmer Engagement*	People engaged to significantly improve their livelihoods	Not available	Not available	282,220

\*We recently developed a new methodology for measuring our impact. In prior years, we were only able to calculate how many individuals had participated in programs we funded. Our new methodology accounts for the number of people who have accomplished specific goals that help them achieve significant and lasting improvements in their lives and those of their family members.

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		FISCAL 2013	FISCAL 2014	FISCAL 2015	
THRIVING PEOPLE AND COMMUNITIES	Safety	Injury severity (Days Away Restricted or Transferred, DART) rate	2.64	1.93	1.52
		Incidence frequency (Total Recordable Incidence, TRI) rate	3.31	2.58	1.87
		Occupational fatalities	0	0	0
	Retention and Satisfaction	Employee retention	92.1%	90.1%	89.0%
		Percentage of surveyed employees who affirmed they "understand and contribute to the achievement of the Company's sustainability vision and targets"	N/A	72%*	74%
	Communities	Total hours volunteered	64,250	57,755	62,031
Employees volunteering (as a percentage of average full-time employees)		62.0%	51.2%	55.0%	

\* Fiscal 2014 was the first year we surveyed employees. The fiscal 2014 question varied slightly, asking employees to affirm if they were "able to bring our Company's values to life in my everyday work."

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## Stakeholder Engagement

Keurig welcomes stakeholder feedback, in order to gain valuable insight from those both within and outside our Company. In fiscal 2015, our External Advisory Panel (EAP) formalized our approach to engaging a wide range of stakeholders. The EAP consisted of eight stakeholders who served in an advisory capacity and convened multiple times during the year to provide perspective, guidance, and challenges to our Sustainability Leadership Committee and Executive Leadership Team. Their guidance on specific issues and on our broader sustainability strategy has been extremely valuable.

For more on our engagement with stakeholders, please refer to our [Stakeholder Engagement](#) table on our website.

### Collaboration

While our products are unique, the sustainability issues we face during initial development and sourcing, as well as planning for end-of-life management, are common to many companies. We collaborate with and learn from businesses that face similar challenges and opportunities, as well as with nongovernmental organizations (NGOs) and academic experts, to improve our own programs and to advance solutions that help us all. Our water partnerships are highlighted in the [Clean Water for Everyone](#) section of this report.

### Recyclability

- In 2014, we joined the [Closed Loop Fund](#) and committed to invest \$5 million over five years to support the development of recycling infrastructure.
- We belong to [The Association of Plastic Recyclers](#), which includes recyclers, brand owners, and plastics converters

seeking to solve problems and understand issues related to plastics recycling.

- We belong to the [Sustainable Packaging Coalition](#) and continue to work with this organization and other companies on packaging sustainability-related issues, such as product end-of-life.
- In 2015, we worked with Resource Recycling Systems (RRS) and KW Plastics to evaluate [what happens to K-Cup® pods](#) when they enter the recycling stream.

### Supply Chain

- We are members of the [Sustainable Food Lab](#) where we engage with peer companies to speed progress toward a sustainable mainstream food system worldwide.
- Keurig is a founding member of the Coalition for Coffee Communities (formerly Coffeelands Food Security Coalition), a group of six member companies that seek to strengthen coffee communities through the power of collaboration.
- We are an active member of [AIM Progress](#), an industry group that helps build mutual recognition of social and environmental audits among peer companies and provides a collaboration platform for supplier capability-building related to working conditions and environmental management.
- We are participating in a unique industry initiative called the [Sustainable Coffee Challenge](#), which is a call to action to make coffee the first sustainable agricultural product in the world. Managed by Conservation International, the initiative will convene industry, conservation, and agricultural

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development partners to agree to a common framework for sustainability in the coffee sector, with the ultimate aim of driving demand for sustainably produced coffee.

## Awards and Recognition

Keurig is often recognized with sustainability and innovation awards, including those highlighted below. For a full list of awards, visit our [website](#).

- The World's Most Innovative Companies 2015 (#43 overall and #2 in packaged foods category) — *Forbes*
- America's Greenest Companies for Green Rankings 2015 (#14, up from #132 in 2014) — *Newsweek*
- World's Most Admired Companies 2015 (#5 in the beverage industry) — *FORTUNE*
- National Top 100 List of Green Power Users (#70) — U.S. Environmental Protection Agency

## About This Report

This report covers fiscal 2015, from September 27, 2014, to September 26, 2015.

Our most recent previous report was published in March 2015, covering our 2014 fiscal year. An [executive summary](#) version of this report is also available for download on our website.

This report also serves as our annual Communication on Progress to the United Nations Global Compact (UNGC), providing an overview of our implementation of the 10 principles of the UNGC and our support of broad UN development goals. Please see the [reports and disclosures page](#) of our website for more information.

The data cited refer to fiscal 2015 or the last day of fiscal 2015 unless otherwise indicated. Data are for our wholly owned business units. In addition, we provide selected data and other information about our supply chain activities globally. For all references to an average or a percentage of employees participating in certain activities, we use an average number of full-time employees during the fiscal year as the denominator in the calculation. We calculate the average number of full-time employees by dividing the sum of the full-time employees at the beginning of the fiscal year and at the end of the fiscal year by two. This differs from the approach taken in our Annual Reports, which utilize total year-end number of employees.

We have validated the contents of this report through the following measures:

- Verification of our Fair Trade Certified™, Fairtrade Certified, organic, and Rainforest Alliance Certified™ coffee purchases, provided by appropriate accreditation bodies
- Verification of our organic coffee purchases and our production plants' organic status, provided by Quality Assurance International or Organic Crop Improvement Association International
- Verification of our production plants' kosher status, provided by Orthodox Union, Jewish Community Council of Montreal, and Kosher Supervision of America.

We welcome your feedback on this report at [sustainability@keurig.com](mailto:sustainability@keurig.com).



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# Sustainable Products



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We are committed to designing products that help people make smart choices and conserve resources. Keurig offers a convenient countertop appliance that gives people the option to make only what they need, right when they need it. We believe that our products can be designed, sourced, and manufactured in ways that are good for people and good for the environment.

Keurig Green Mountain develops and sells Keurig® brewers and Keurig® KOLD™ drinkmakers, and produces and sells the pods for making coffee, tea, soda, water beverages, and other specialty drinks in our Keurig® appliances. We also sell traditional whole bean and ground coffee. To demonstrate our commitment to sustainable product innovation, we set three bold targets, which we intend to achieve by 2020.

The actions we took in fiscal 2015 to make progress toward these targets are described in detail throughout this section of our report.



### 2020 targets

100% of K-Cup® pods will be recyclable.



Reduce life-cycle greenhouse gas (GHG) emissions of brewed beverages by 25% versus a 2012 baseline.



Achieve zero waste-to-landfill at our owned and operated manufacturing and distribution facilities.

In fiscal 2015 and continuing through fiscal 2016, our primary emphasis has been, and will continue to be, on recyclability as we focus our resources on reaching our target to make 100% of K-Cup® pods recyclable by 2020. We are using what we've learned to enhance product development and design processes throughout our portfolio. Integrating product stewardship principles related to material choice and Design for Recyclability at the early stages of development will help minimize the environmental impact of our products while maximizing value for our consumers.

### Recyclable K-Cup® Pods

Converting all Keurig® K-Cup® pods to a recyclable format is a critical priority for our Company — and the first pods are already available. Consumers can purchase the initial varieties available in recyclable cups from [Keurig.com](http://Keurig.com). We will continue to ramp up production over time and make the recyclable pods more widely available until 100% of the K-Cup® pods we make are recyclable by 2020. Consumers will be able to easily identify the recyclable pods by looking for the #5 symbol on the bottom of the plastic cup.

Our goal is to do more than introduce a recyclable K-Cup® pod. We want our pods to be effectively recycled. That is

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why we're working with recyclers and industry experts to improve the capture rate of valuable small plastic items, such as our pods. Based on our testing with recyclers and collaboration with industry partners, we think we are making good progress. With the addition of our recyclable K-Cup® pods to our already recyclable Vue®, K-Carafe®, and K-Mug™ products, our consumers can now purchase 70 Keurig® products with recyclable cups.

The launch of the recyclable K-Cup® pod is a direct result of the progress made during fiscal 2015, including [comprehensive testing](#) of the pod size, materials, and ease of sorting at recycling facilities. We are incorporating the results of the testing into a Design for Recyclability process that will carry across all new products going forward. The

*"We've long been proud of many aspects of our Keurig® brewing system, including design, convenience, choice, and efficiency, and can now add pod recyclability to that list."*

– **MONIQUE OXENDER**, Chief Sustainability Officer, Keurig Green Mountain

new recyclable K-Cup® pods work in all Keurig® hot brewers, including those that are already on the market and in our consumers' homes. Converting more than 100 packaging lines across our eight manufacturing facilities in North America to produce the new pods is a complex logistical undertaking. We have already started the conversion process and will continue to implement it in phases as we ramp up production.

Because recyclability is a complex issue, we are thinking creatively about solutions and collaborating with others, including industry partners, communities, and consumers. We are tackling the challenges from three different angles: Designing for recyclability, championing small item recovery, and driving continued innovation.

## Recyclable K-Cup® Pod Timeline

April 2016

Production begins at Keurig facilities in Knoxville, Tenn., and Waterbury, Vt.

June 2016

Launching with popular Green Mountain Coffee® and Van Houtte® varieties. Available for purchase on [Keurig.com/recyclable](http://Keurig.com/recyclable) in addition to our already recyclable pods.

2017

Retail availability and recyclable varieties expand as we continue to convert more than 100 production lines across eight manufacturing facilities.

2020

**100% of pods  
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## WHAT HAPPENS WHEN YOU RECYCLE A K-CUP® POD?

When we were developing our recyclable K-Cup® pod, we wanted to design a cup that would not only be recyclable, but would also be effectively recycled in community programs. For more than a decade, we heard the same thing time and again. We were told that K-Cup® pods were simply too small to be reliably sorted by the facilities that separate and prepare recyclables for secondary uses. And if they couldn't be sorted, they couldn't be recovered for recycling. To test that theory for ourselves, in 2015, we teamed up with Resource Recycling Systems to run trials in three large U.S. material recovery facilities (known as MRFs).

MRFs take in an enormous amount of recyclable materials — processing as much as 35 to 40 tons of material an hour at high-volume facilities in large cities. Their job is to sort through all the items that come through their doors and separate them into bundles of like materials that will ultimately get turned into new products.

The goal of the tests we conducted was to find out what would happen to K-Cup® pods if they arrived at MRFs mixed in with all the other recyclables that consumers put in their single-stream recycling bins (including paper, plastic, and metal).

For the test, tens of thousands of Keurig® K-Cup® pods were mixed into 70 tons of recyclable material that were then sorted at each of the three MRFs. We included both white and dark colored pods, fully intact pods, and empty pods with and without the filter attached. In addition to our current K-Cup® pods, which are considered a #7 item, we also tested pods with cups made from polypropylene (#5). We left some loose and others stacked or gathered together in plastic bags. These



## A Journey Through the Recycling Stream

- 1. Curbside recycling:** First stop — consumers place their empty, recyclable K-Cup® pods and other recyclable items in their curbside bins.
- 2. Sorting process:** The pods join other recyclables at material recovery facilities where they are sorted and collected together with other items made from the same material.



[Watch a video](#) to learn about the testing we did with our K-Cup® pods.

Our Vue®, K-Carafe®, K-Mug™, and recyclable K-Cup® pods feature base cups made from polypropylene #5 plastic, which is accepted for recycling in the majority of communities in the United States and Canada. Check locally for plastics recyclability in your community.

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variations allowed us to see how different scenarios might affect the pods' ability to make it through the sorting process.

We were pleasantly surprised to learn that 70% of the K-Cup® pods with polypropylene #5 cups that we produced specifically for the tests made it through the initial sorting process to container lines where they were available for recovery. This 70% was achieved without any adjustment to the equipment or sorting behavior. A baseline of about 30% of the total made it all the way through to the correct bales where they could be sent to plastics recyclers. We also found that when the filters were left attached to the cups, the pods could still be sorted appropriately. During fiscal 2016, we are conducting additional studies to see how to improve the recovery rate of K-Cup® pods and other small plastic items. Minor changes to the recovery facilities may not require large investments and could make a difference to the rate of recovery for small items.

After products and packaging are sorted at MRFs and baled into large parcels for transportation, they are sold to companies that sort the items further and convert them to flakes and pellets that can be made into new products. We partnered with KW Plastics — the largest recycler in the world and an expert in polypropylene — to find out what would happen to used polypropylene K-Cup® pods when they arrived at their factory. To test this, we mixed used K-Cup® pods made from polypropylene into bales of other polypropylene items being sent to KW.

Similar to the tests at the MRFs, KW testing showed that leaving the filters attached to the pods did not contaminate the plastic stream. Neither did lids and coffee grounds if they were left in the pods. However, because companies like KW Plastics pay for material by weight, and because the coffee grounds cannot be incorporated into new products at that



**3. Packaged into bales:**

The recovered items are packaged into large bales for transportation along with other items made from the same material.

**4. Converted to recycled material:**

The bales arrive at companies that sort the items further and convert them to flakes and pellets of recycled material.

**5. Made into new products:**

Recycled materials have an opportunity to be transformed into other useful consumer goods and durables.

Materials matter — As items travel through the recycling stream, those made from higher-value materials are most likely to move on to the next step in the process. We chose polypropylene for our recyclable K-Cup® pods because it works well in our brewing system and is growing in demand as a recycled material.

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point, it is not beneficial for them to pay for the extra weight the coffee grounds add. Considering the positive value of coffee grounds to composting and soil health, we are using these results in our Design for Recyclability process to ensure that consumers can access the grounds for composting at home instead.

Through these tests, we learned that the design of our original K-Cup® pods is, in fact, recoverable. Armed with this new data, we could have simply claimed our existing pods were recyclable. But we didn't do that. The cup portion of our original K-Cup® pods is considered a #7 item for recycling. These items are accepted in about half of community recycling programs in the United States and a majority of community programs in Canada. However, polypropylene #5 plastic is accepted in the majority of communities in both countries. In addition to being widely accepted for recycling, polypropylene also carries a high end-market value for recyclers, which means they have an incentive to capture it during the recycling process. As a result, we are transitioning to #5 plastic for the cups of all our K-Cup® pods.

*“Keurig has done an admirable job responding, and bringing all the stakeholders together to discuss the problem and come up with solutions to make their pods recycling friendly. We’ve worked with Keurig’s team in our recycling facility to test the recoverability as well as the resulting resin of the K-Cup® pods in our reclamation process. With over 20 years in plastics recycling, we have experienced a variety of packaging and its affect in the recycling stream. We were thankful to have an opportunity to be a part of the process in an early stage and glad to have a voice at the table. Based on our testing, Keurig’s polypropylene K-Cup® pod and filter with removable lid is recyclable and recoverable, and is a welcome addition to the polypropylene recycling stream.”*

— SCOTT SAUNDERS, General Manager, KW Plastics

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## Designing for Recyclability

The product design piece of the puzzle is the one most within our direct control. The [recyclability and recovery testing](#) that we conducted in fiscal 2015 provided a number of inputs to the development of our recyclable K-Cup® pod. The testing confirmed the following:

- The pods are not too small to be recovered.



- Filter paper that is attached to the cup is not a problem for recovery or recycling.
- Polypropylene #5 plastic — a material often used in containers for common household food items, such as yogurt and butter — is a highly recyclable and desirable material.

Additionally, while not a contamination issue, we learned that recyclers and companies that buy and convert recyclable products and packaging prefer that consumers peel off the foil lid and empty the coffee grounds from the cup prior to curbside collection.

We took these inputs into account in our K-Cup® pod design to make recycling easy, but there is more we can do to increase recovery rates for small items of value. That's why we're working with the recycling community and other partners to develop a more robust recycling infrastructure that accepts #5 plastics in even more communities and that can consistently capture small items, such as our beverage pods.

### Our Recyclable Pods



\* Select varieties only at launch.

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## Championing Small Item Recovery

Designing a recyclable K-Cup® pod is only part of the solution. We're also collaborating with others to understand and develop solutions for the recovery of small recyclable items and making investments to advance the recycling infrastructure in North America. In addition, we participate in organizations working to understand the supply and demand for recovered polypropylene and to encourage its use in new products. The goal of our work is to ensure that small plastic items, including used K-Cup® pods, can find new lives as durable products, such as storage bins and automotive parts.

### Recycling Infrastructure

Once consumers use our products, they must have easy access to a recycling facility. Currently, communities have varying degrees of access to recycling, and the experience can be confusing. There are approximately 600 material recovery facilities in the United States and Canada, and the equipment

those facilities use is not standardized. Most equipment was built to recover bottles and cans. As manufacturers innovate, recyclers have an opportunity to adapt to recover the new and varied products and packaging for the value of the materials they contain.

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### RECYCLING ROUNDTABLE

In 2015, we invited experts from the recycling community, including representatives from MRFs, plastics recyclers, and industry organizations, to attend a roundtable we hosted about small item recovery. We gave attendees an overview of the [testing](#) we did with large-scale MRFs and plastics recyclers and asked for their insight as we continue to move toward a recyclable K-Cup® pod. Attendees were interested in the tests we had done, were excited to engage with us about how to improve small item recovery overall, and provided us with valuable insight that helped us design our next round of tests, which focuses on optimizing recovery.

*"We've been working closely with the Keurig team, including their product design team, to see what their existing package does in a recycling system and what variations could do. Keurig has a smart, committed, disciplined, long-term action plan to migrate all of their K-Cup® pods into the polypropylene format. They're making good design decisions. It will be important to demonstrate to the 500 to 600 recycling facilities that this is part of the recycling system of the future. It's not just K-Cup® pods. There are lots of small plastic items from other companies. The challenge is to form the right public-private partnerships with recycling facilities and communities across the country to transform their approach. It will be a five or more year commitment to make this mainstream in the recycling system. What's great about Keurig is they are making a commitment to help solve that."*

— JIM FREY, Co-Founder and CEO, Resource Recycling Systems

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We have been [conducting tests](#) to understand more about what happens to used K-Cup® pods in material recovery facilities and to gain a more comprehensive understanding of the challenges that must be overcome for the effective recovery of small #5 plastic items. This not only helps our own product development process, but also increases our knowledge so we can help bring about systemwide transformations that will benefit us as well as other manufacturers facing similar challenges. We intend to share what we learn with others in industry to promote collective action in this area.

In fiscal 2014, we joined leaders from several consumer goods companies and retailers to invest in the [Closed Loop Fund](#), an impact investment fund that makes below-market loans for recycling infrastructure, including household recycling carts, facilities, and technologies. The Fund plans to invest \$100 million in the U.S. recycling infrastructure by 2020. These investments, in the form of zero-interest loans to cities and low-interest loans to recycling companies, are designed to help remove obstacles and expand recycling by attracting more investment to the industry, increasing access to recycling, and helping to scale up solutions that improve the profitability of recycling.

In 2015, the Fund announced investments in Ohio and Iowa to bring single-stream recycling to 75,000 households. The Fund will also support the development of profitable markets for rigid plastics (#3 through #7) for the U.S. East Coast. In total, these investments will help avoid more than 900,000 metric tons of GHG emissions over the next 10 years (the waste collected and treated in landfills emits GHGs). Keurig is investing \$5 million over five years in the Fund and sits on the Fund's Advisory Board as an initial investor.

To further support the recovery of small plastic items, we have joined [The Recycling Partnership](#) — a national nonprofit transforming recycling in towns all across America. The Partnership supports the efforts of community recycling programs to be more accessible and more efficient, and their work engages the full recycling supply chain: from local government to industry end markets, haulers, material recovery facilities, and converters. Our engagement with The Partnership gives us an opportunity to support recycling at the local level and will play a critical role in helping to widely communicate K-Cup® pod recycling instructions.

### End-Market Development

Once recyclable items leave the MRFs, they are sold to companies that either sort the materials further or convert the material to flakes and pellets that can be made into new products. Increased demand for recyclable materials, such as polypropylene #5 plastics, strengthens the incentive for these companies to find solutions that recover more used plastic. The final piece of the recycling puzzle is the development of a robust end-market for the material that K-Cup® pods are made from so they can be transformed into other useful consumer goods.

We belong to [The Association of Plastic Recyclers](#), whose members include representatives from the recycling industry, consumer packaged goods companies, and plastics converters. The Association seeks to solve problems and understand issues related to plastics recycling. We participate in a subcommittee that focuses on increasing the availability and use of postconsumer recycled polypropylene. The group has wide participation across the value chain, which gives us the ability to identify

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*"I've been in this business a long time. I give Keurig a lot of credit for the way they are proceeding here. The company has invested incredible amounts of time and money to work with the industry to figure out how to separate their product so it can be recycled. Some people think this can be done tomorrow. That's absolutely not true. Plastics recycling is an incredibly complex technical issue. Keurig is by no means the only company with small plastic products. It's not just up to them to solve it. There is a role for equipment manufacturers, the municipal recycling facilities, and the people who collect and separate recyclables. We all can play our part. There are things Keurig can do. And they're trying to do them. There is a market for the polypropylene plastic Keurig will be switching to for its K-Cup® pods. Companies want more of that plastic to make containers for kitchen, laundry, and bathroom products. The market for polypropylene is growing exponentially, and it's on a path to becoming one of the most recycled plastics in the marketplace."*

— STEVE ALEXANDER, Executive Director, Association of Plastic Recyclers

key information and actionable recommendations faster than any one entity could do on its own. We hope to create systemic change that benefits consumer goods companies, materials recyclers, and, ultimately, communities across North America.

### Driving Continued Innovation

Our current focus is on recyclability because it is the most readily available end-of-life option for most consumers in North America. At the same time, we are continuing to evaluate designs for many different materials, including compostable pod options.

We haven't yet found a compostable pod that meets our standards for beverage freshness, quality, and taste because they don't adequately protect ingredients from moisture and oxygen without additional packaging. In addition, most compostable products currently in the

marketplace don't degrade in home settings, but require sophisticated municipal facilities. While composting programs are widely available in Canada and are slowly increasing in availability in the United States, most accept only organics and food waste and will not allow bioplastics.

The infrastructure for recycling is currently more robust, which is why we have selected a pod material that has a high value to recyclers and strong potential to find a second life as another product. At the same time, while we continue our work to catalyze recycling infrastructure advancements, we will also continue exploring different design innovations. This will help us prepare to potentially evolve our packaging further as recovery programs for such materials become more commonplace and recovery rates increase to the point that composting is a truly viable option for our consumers.



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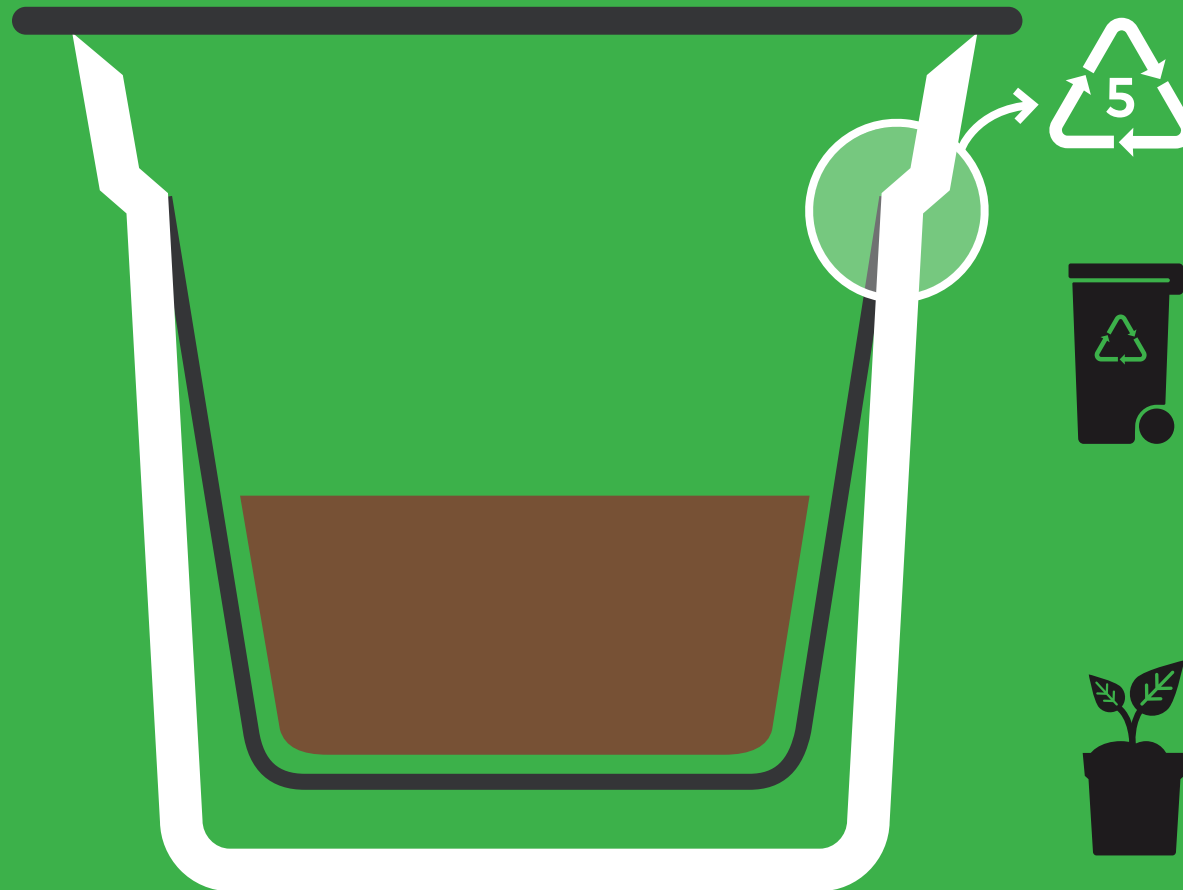
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# BY 2020, 100% OF K-CUP® PODS WILL BE RECYCLABLE.



Designing and producing a recyclable K-Cup® pod is only one piece of the equation. We also want to be certain that the majority of our consumers can effectively recycle their used K-Cup® pods. Through active engagement with other businesses, material recovery facilities, recyclers, and industry organizations, we are working to understand the whole system and contribute to solutions beyond just the K-Cup® pod.

## DESIGNING FOR RECYCLABILITY

We are using polypropylene #5 plastic for our recyclable K-Cup® pods. It performs well in our brewing system, is accepted for recycling in a majority of communities in the U.S. and Canada, and is in high demand as a recovered material.



## CHAMPIONING SMALL ITEM RECOVERY

We're collaborating with others to understand and develop solutions for the recovery of small recyclable items and investing more than \$5 million in recycling infrastructure and education. We also participate in organizations working to understand the supply and demand for recovered polypropylene and to encourage its use in new products, such as storage bins and automotive parts.



## DRIVING CONTINUED INNOVATION

We are currently focused on recyclability because it is the most readily available option for most of our consumers. We're exploring design innovations for many different materials, including those that are compostable, so we can continue to evolve our packaging as recovery programs for such materials become more commonplace.



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## Understanding Impacts in Our Value Chain

From the design of our beverage systems and the cultivation of coffee and tea, all the way through end-of-life disposal, we aim to understand our impacts and leave communities and people better off as the result of our business. We use tools such as life-cycle assessments and GHG and water footprinting to achieve a good understanding of the impacts our products have across the value chain. We use that knowledge to improve our decision-making so our products become more sustainable over time.

[Explore our coffee value chain.](#)

### INTRODUCING KEURIG® KOLD™

In September 2015, we introduced our Keurig® KOLD™ drinkmaker, which gives consumers the ability to make a variety of chilled drinks — including craft sodas, seltzers, iced teas, sports hydration mixes, water beverages, and more — at the push of a button, right at home. Our KOLD™ system supports portion control, delivering one 8-ounce drink per pod, with most beverages containing 100 calories or less.

Fiscal 2015 was a year of learning as we began producing our KOLD™ product line and investigating how the new system will impact the environmental performance of our overall product portfolio and our operations.

For more information about Keurig® KOLD™, visit our [website](#).

<sup>1</sup>Our GHG footprint includes scope 1–3 emissions. Scope 1: Direct emissions; Scope 2: Purchased electricity; Scope 3: Emissions from direct third-party suppliers throughout our value chain from brewer manufacturing and coffee agriculture through end-of-life disposal of Keurig® brewers and K-Cup® pods. This includes energy used by third-party logistics partners to transport raw materials and finished goods to and from Keurig-owned or leased facilities.

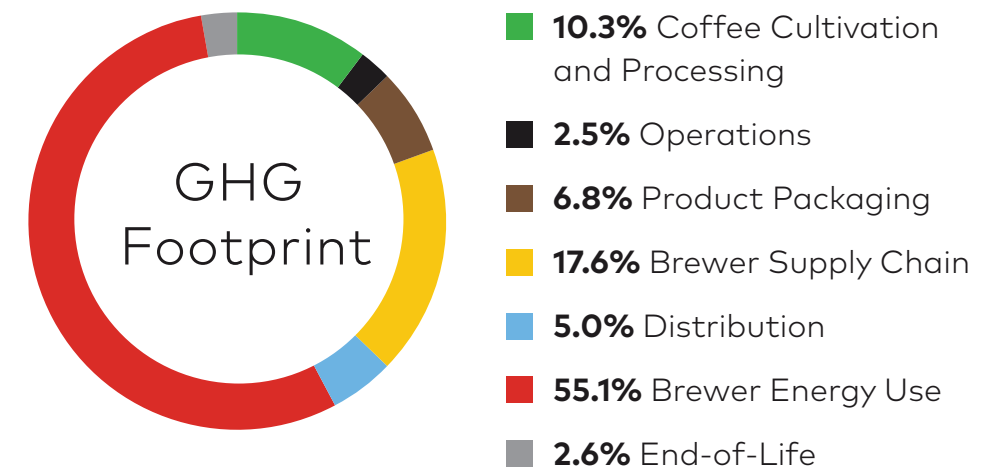
## GHG and Water Footprints of Brewed Beverages

In fiscal 2014, we conducted comprehensive GHG<sup>1</sup> and water footprints of our coffee value chain — from cultivation of coffee beans through brewer use and product end-of-life — to more fully understand our impact and identify areas where we can focus reduction efforts and engagement. These footprinting exercises represent an important step toward meeting our 2020 target of reducing life-cycle GHG emissions of brewed beverages and supporting our holistic water stewardship framework.

### GHG Footprint Results

Our GHG footprint details the impacts of our brewed beverages, with brewer energy use accounting for the largest portion of the footprint and our own operations (including roasting coffee, packaging lines, and offices) representing the smallest portion.

#### CORPORATE GHG FOOTPRINT\*



\* Percentages do not total 100% due to rounding. Footprint is based on fiscal 2012 data and does not include data related to the Keurig® KOLD™ system.

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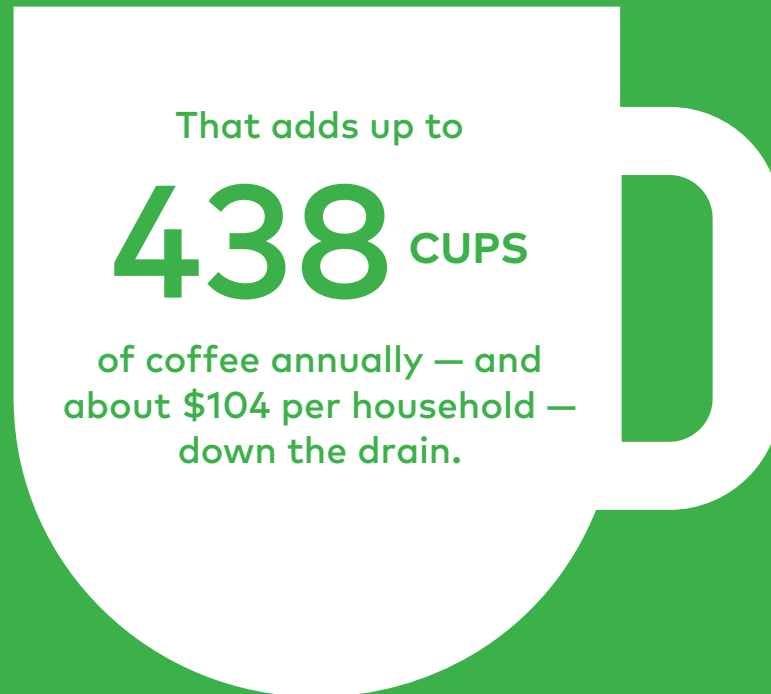
## Save Water and Coffee

Keurig offers a smart choice for making beverages.

Brewing only what you need  
with Keurig® brewers saves  
coffee, money, and water.

~ 15%

of each pot of brewed  
coffee is wasted.\*



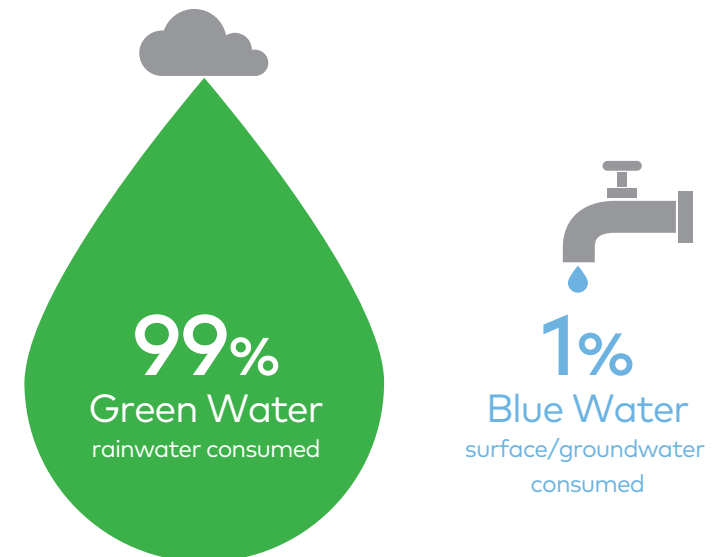
\* Keurig Research Study on Waste Coffee, February 2016.

## Water Footprint Results

Our water footprint indicates that we are not a large direct consumer of water for our brewers and coffee products. In fact, the Keurig® brewing system uses “local water” from the tap and only the amount of water that will be consumed, thus enabling consumers to conserve water as part of their daily routines. Portion-specific brewing helps consumers avoid wasted coffee (and water) from the bottom of the pot. Specifically, brewing coffee with the Keurig® hot platform could save an estimated 6.6 gallons<sup>2</sup> of embedded water (or about 105 cups) when considering the water required to grow, process, and brew the coffee beans for an 8-ounce cup, compared with brewing a full pot of coffee (assuming 15% wasted coffee per brewed pot).<sup>3</sup> The majority of the water that is saved is associated with the

### OUR WATER FOOTPRINT

Corporate Water Footprint (overall)



<sup>2</sup> Chapagain, A.K., and Hoekstra, A.Y. (2007) The water footprint of coffee and tea consumption in the Netherlands, *Ecological Economics* 64(1): 109-118.

<sup>3</sup> Keurig Research Study on Waste Coffee, February 2016.

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large amounts of rainwater needed for coffee cultivation.

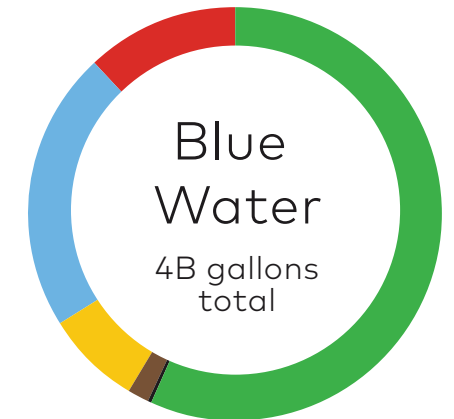
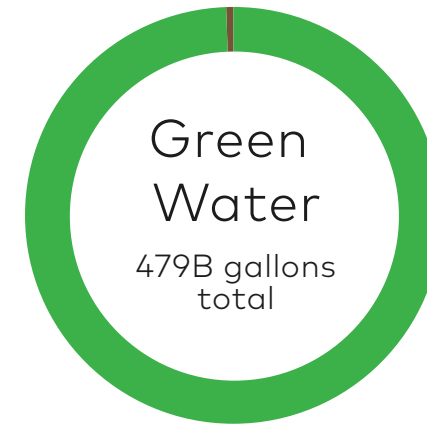
Our water footprint also shows that the largest proportion of our enterprise water footprint is the rainwater (green water) consumed by growing coffee cherries. Arabica coffee is primarily a rain-fed crop, requiring little irrigation. Our blue water (surface or groundwater consumed) footprint is 0.8% of our total enterprise water footprint. Within that portion, our operations, including our manufacturing plants and offices, accounted for 0.2% of the blue water consumed. Our North American facilities are located in low water risk regions with the exception of our Castroville, Calif., facility, which withdraws a tiny fraction (~0.0005%) of the available blue water in the basin where it is located.

The findings did show, however, that threats to water quality and availability present a risk to the quality and availability of our beverage products, as well as to our suppliers' livelihoods. Climate change, threats to biodiversity, flooding, and water access are increasing concerns in coffee-growing regions.

Water quality (e.g., pollution) was not directly assessed as part of the study but is an important aspect for our coffee supply chain as well as for the beverages our consumers make. Within our coffee farmer outreach work, water stewardship is a key focus area for the projects we fund since coffee farmers have the ability to influence and protect the watersheds in their communities. See the [Strong Supply Chains section](#) for more information.

Water is also essential to consumers who use our appliances to make beverages. Great beverages start with clean water. Through the work we are doing to reach our water balance target, we are investing in projects that will help to [improve water quality across North America](#).

CORPORATE GREEN AND BLUE WATER FOOTPRINT\*



	Green	Blue
Coffee Cultivation and Processing	99.5%	57.0%
Operations	0.0%	0.2%
Product Packaging	0.5%	1.6%
Distribution	0.0%	0.0%
Brewer Supply Chain	0.0%	7.6%
Brewer Energy Use	0.0%	22.0%
Brewing Water	0.0%	11.8%
End-of-Life	0.0%	0.0%

\* Percentages do not total 100% due to rounding. Footprint is based on fiscal 2012 data and does not include data related to the Keurig® KOLD™ system.

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## OUR CLIMATE CHANGE POLICY

Climate change is not a problem that can be solved by a single entity – be it government, business, civil society, or individuals. We believe the long-term solution will come from the combined efforts of all of these actors. While government will play an important role, we don't need to wait for government direction to take steps to understand, reduce, and mitigate our company's share of greenhouse gas (GHG) emissions. Our emissions management strategy aligns with our [Climate Change Policy](#), which includes three primary components: adaptation, mitigation, and engagement.

- **Adaptation:** The greatest climate change risk we face relates to the impact on our agricultural products and the communities in which they are produced. We provide relevant training to farmers, integrate adaptation into our efforts to improve livelihoods in our farming communities, and invest in research to develop coffee plants better suited to changing climate and weather conditions. [Learn more.](#)
- **Mitigation:** Reducing energy consumption and GHG emissions throughout our value chain benefits our bottom line and contributes to the shared effort to reduce climate change risks. We work to fully understand emissions across our value chain so we can lower GHG emissions where the opportunities for reduction are greatest. [Learn more.](#)
- **Engagement:** Working collaboratively with others is the only way to have significant and lasting impact on climate change. We engage with governments, other companies, and nongovernmental organizations to advance efforts in this area and to communicate openly about our progress and challenges. [Learn more.](#)

## Life-Cycle Assessments

To ensure scientific rigor in the way we approach product stewardship, we conduct life-cycle assessments (LCAs) for many of our products to better comprehend environmental performance throughout their life cycles. We take all impacts seriously and use LCAs as one of several key tools to identify phases in our value chain with the most significant environmental impacts. These analyses help us target our efforts in the areas with the greatest potential for improvement.

### K-Cup® Pods

A few years ago, we conducted an LCA of our coffee K-Cup® pods, evaluating them across all stages of their life cycle, from cultivation of coffee beans through end-of-life. We estimated the environmental impacts, including global warming potential (GHG emissions) and primary energy demand.<sup>4</sup>

Through this 2012 analysis, we learned that the disposal of the product packaging after use of a K-Cup® pod represents a relatively small portion of the total environmental impact. Significant impacts occur in the cultivation of coffee beans, use of brewing systems, and the material used in product packaging. We also learned that, compared with other coffee systems<sup>5</sup> that brew a full pot of coffee, the Keurig® brewing system uses less energy.

On average, when compared with batch brewers, customers waste less brewed coffee when they use a single serve

<sup>4</sup> GHG is a measure of the emissions that lead to the greenhouse effect (global warming potential). Primary Energy Demand, while not a true environmental impact category, shows the total amount of energy that is being extracted from the earth or produced via renewable methods.

<sup>5</sup> For this study, we compared our brewers against top competitors. We compared our Away-From-Home brewer with similar models from BUNN and FETCO, and we compared our At-Home brewer with Mr. Coffee DW13.

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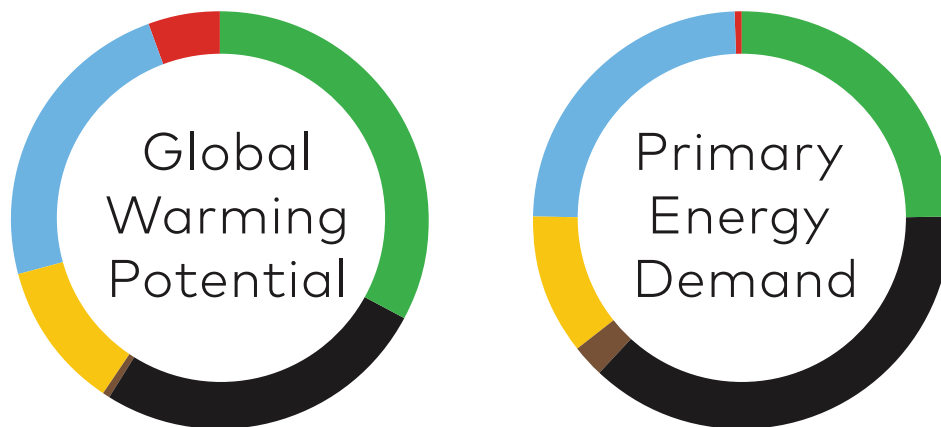
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K-CUP® POD LCA RESULTS\*



	Global Warming Potential	Primary Energy Demand
Coffee Cultivation and Processing	30.4%	23.1%
Product Packaging	24.2%	34.2%
Operations	0.6%	2.4%
Distribution**	10.4-21.8%	10.1-21.3%
Consumption/Use**	21.9-29.3%	22.2-29.7%
End-of-Life	5.1%	0.5%

\* GHG is a measure of the emissions that lead to the greenhouse effect (global warming potential). Primary Energy Demand, while not a true environmental impact category, shows the total amount of energy that is being extracted from the earth or produced via renewable methods.

\*\* Range of percentage impact reflects use of the Keurig® brewer in an At-Home versus an Away-From-Home usage.

Keurig® brewer than when they brew a full pot of coffee. Typically, 15% of a pot of coffee is wasted.<sup>6</sup>

As we transition to recyclable K-Cup® pods, these impacts will shift. For instance, polypropylene #5 plastic has a lower environmental life-cycle impact than the material we currently use for most K-Cup® pods. In fact, once we convert all the cups for our K-Cup® pods to polypropylene, we expect to see a 2% reduction in our overall GHG footprint. We will continue to evaluate the life-cycle impacts of our K-Cup® pods and conduct additional LCAs as we move forward with updated product designs.

Keurig® KOLD™ System

Introduced in September 2015, our Keurig® KOLD™ drinkmakers and KOLD™ pods are our most recent product innovations. There are several key learnings to date, and we will continue to evaluate opportunities to improve the environmental performance of the product.

- **Resource efficiency:** Because the Keurig® KOLD™ drinkmaker allows people to use local water, with the syrup in our beverage pods, to make cold beverages at their convenience, we have lower emissions and energy use associated with our distribution and logistics than if we were shipping aluminum cans or plastic bottles full of beverages to distribution points, retailers, and, finally, to consumers.
- **Energy use:** Much like a refrigerator, we recommend consumers keep their KOLD™ drinkmaker plugged in and on to ensure the chiller is kept cold and ready to make a

<sup>6</sup> Keurig Research Study on Waste Coffee, February 2016.



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beverage on-demand. Because the drinkmaker is on all the time, our team identified energy as one impact area we needed to address during product design. We were able to reduce the energy use of our KOLD™ drinkmakers significantly before launching the product. Testing shows that the energy use of the KOLD™ drinkmaker is less than that of a 60-watt incandescent bulb, on average — an improvement over our original design. Energy efficiency is an area we will continue to focus on as we work to reduce the environmental impact of the system over time.

## Addressing Product Waste

In parallel with our work to develop a recyclable K-Cup® pod, we offer various programs for responsible disposal of our products, including our K-Cup® pods and KOLD™ pods. Customers can also take advantage of our Brewer Returns program and use a search engine on our website to find out which communities accept our Vue®, K-Carafe®, and K-Mug™ pods.

Life-cycle analyses have shown that the end-of-life stage is a small contributor to the overall environmental impact of our products, but it is still an important phase in the life of our products for our consumers and for us. With that in mind, we have developed a number of products and programs to help reduce end-of-life waste, and we will continue to explore solutions to meet our consumers' interests and our own desire for more sustainable products.

Our pod take-back programs are an interim step, and we believe that further development of municipal recycling

infrastructure is key to successful recycling in North America. We are partnering with recyclers and others to encourage and [support that development](#).

## Vue®, K-Carafe®, and K-Mug™ Pod Recycling

Our Vue®, K-Carafe®, and K-Mug™ pods all feature a lid and filter paper that peels away from the base of the cup, which is made from polypropylene #5 plastic. Polypropylene #5 plastic is accepted for recycling in approximately 60% of all communities in the United States<sup>7</sup> and 93% of all communities in Canada.<sup>8</sup> Customers in the United States can find out whether #5 plastic recycling is available in their areas by using the search engine available at [KeurigRecycling.com](#). For those communities where #5 plastic recycling is not available, we offer a take-back program in partnership with Preserve.

## My K-Cup® Reusable Coffee Filter

Our My K-Cup® accessories feature reusable filter assemblies that can be easily cleaned, refilled with ground coffee, and placed into Keurig® brewers. We offer two versions — one that is compatible with our Keurig® 2.0 brewers and one that is compatible with our original Keurig® K-Cup® brewers.

## K-Cup® Pod Recovery in the United States

Our [Grounds to Grow On™](#) program allows businesses in the United States to collect used K-Cup® pods and return them to our disposal partner for composting and energy-from-waste processing. The program is available throughout the United States, except for Alaska and Hawaii.

<sup>7</sup> Moore Recycling Associates, "Plastic Recycling Collection: National Reach Study," May 2013.

<sup>8</sup> CM Consulting, "Population Access to the Recycling of Post Consumer Plastic Packaging in Canada," May 2013.

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GROUNDS TO GROW ON™ PROGRAM

	Fiscal 2015	Program to Date
 Used K-Cup® pods recovered	10.1M	27.5M
 Pounds of coffee grounds composted	238K	596K
 Kilowatt hours generated	389	975

We are evaluating the benefits and impacts of this program so that we can provide the best possible solution to our consumers. Currently, used K-Cup® pods are collected and sent to a centralized processing facility where the coffee grounds are separated from the rest of the K-Cup® pod. The grounds are composted while the other packaging materials are sent to a waste-to-energy facility.

In fiscal 2015, we began our [Pods to Power](#) pilot program in two U.S. regions. Through this pilot program, K-Cup® pod waste is converted to energy at regional processing facilities rather than sending the pods to a centralized processing facility. The Pods to Power program not only helps divert waste from landfills, it also contributes to a reduction in overall GHG emissions. Energy-from-waste processing can reduce GHG emissions by up to 40% compared with sending used K-Cup® pods to a landfill.<sup>9</sup> By offering regional

processing, Pods to Power also helps minimize the distance recovered pods need to travel, thereby limiting transportation emissions as well. If the pilot is successful, we will consider scaling up the program for the entire United States.



As part of the Pods to Power pilot, consumers can drop off their used K-Cup® pods at our retail store at the Burlington Mall in Burlington, Mass., and our Visitor Center and Café in Waterbury, Vt.

K-Cup® Pod Recovery in Canada

Several years ago, Keurig Canada established local recovery programs for office customers who use K-Cup® pods in several Canadian cities. In 2015, we decided to expand these programs to reach customers across the country as part of the Pods to Power program.

Canadian Pods to Power program customers who receive their K-Cup® pods through our coffee service programs can collect their used pods and return them to their distributor. Those K-Cup® pods are then sent to waste-to-energy facilities and cement kilns where they can be used as alternative fuel sources. At the cement kilns, any remaining ash is incorporated into the cement material.

As of the end of fiscal 2015, 23% of Van Houtte Coffee Services customers were participating in the program.

<sup>9</sup> Numbers based on industry average emissions data from the GaBi database; no transportation taken into account.

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## KOLD™ pods

The KOLD™ system and accompanying beverage pods are a new innovation with no comparable product on the market. In designing the KOLD™ pods, we started with plastics (polypropylene and PET) that are commonly accepted for recycling. We purposefully chose this easily-recyclable material for the largest portion of the pod (96% of the total material). However, in order to function in our drinkmakers, the initial KOLD™ pod design also includes a small silicon valve and an internal foil lid that may make it more difficult to recycle. Until these items can be designed out of the pod or otherwise proved to not be a contaminant to material reuse, not all communities will be able to process them for recycling. It is common for new products to evolve over time based on technological advances, and we are actively working toward wider acceptance for recycling of the KOLD™ pod.

Keurig® KOLD™ pods may be accepted for recycling in select communities that accept items labeled as “#7 – Other” or #7 hard plastics.<sup>10</sup> In order to recycle KOLD™ pods, after use, consumers should remove the foil seal at the top of the pod. For sparkling beverage pods, the Karbonator™ beads and paper filter should also be removed and discarded in the trash. Once those components are removed, consumers should place the pods in their regular curbside recycling bins if their communities accept #7 items.

Consumers who do not live in a community that accepts items labeled “#7 – Other” or #7 hard plastics can

participate in our nationwide [take-back program](#) for KOLD™ pods, which we provide in partnership with Close the Loop, Inc. When consumers send in their empty, used pods to the Keurig® KOLD™ Recycling program, Close the Loop separates the components and recycles the plastic for manufacture of new products such as automotive parts or components, containers/storage, and construction products.<sup>11</sup>

## Brewer Returns Program

We take steps to ensure our Keurig® brewers are manufactured to high quality standards to minimize returned products and maximize their lifespan. In addition, through our Brewer Returns program, we work with various retail partners to take back any returned Keurig® brewers. The brewers are evaluated for functionality and are either refurbished for internal use (such as marketing demonstrations and in-store displays) or are sent to recycling companies to be disassembled.

Our recycling partners in the United States are certified by [Sustainable Electronics Recycling International](#). All the recyclers we use have a zero waste-to-landfill policy. They break down all components of the brewers for reuse or recycling. In fiscal 2015, we reused approximately 19,700 brewers for marketing purposes and recycled approximately 383,200 brewers for a total of over 14 million pounds of material diverted from landfills.

<sup>10</sup> It is recommended that consumers check locally to determine if their communities will accept KOLD™ pods for recycling because the pods may not be recyclable in their area.

<sup>11</sup> This program is only available to residential customers.

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## Product Quality and Safety

One of our most important commitments is to product safety and quality. Quality is an aspect of sustainability and vice versa. This concept applies equally to our brewers and drinkmakers and to our beverages.

### Keurig® Beverage Appliances

We continually innovate to make great appliances that deliver top-quality beverages. High-quality machines also equate to fewer returned appliances, less waste due to the disposal of faulty products, and a stronger bottom line. Each returned appliance contains a chip that records failures that may have occurred, allowing us to improve design and construction. By making our appliances better, we increase their total lifespan — a win for our consumers and a decrease in environmental impact.

### Beverages

As it does for our brewers, quality-testing our beverages and their ingredients reduces the amount of damaged or returned product, which decreases wasted resources. We test our beverage pods with various methods and brewers to make sure that each batch meets our high expectations for quality.

A team of professional coffee tasters in our Coffee Department in Waterbury, Vt. — known in the industry as “cuppers” — tastes thousands of coffee samples a year to ensure that every cup is up to our exacting standards. Coffee evaluators, or “Licensed Q-Graders” who have been certified by the nonprofit Coffee Quality Institute, evaluate composite samples from coffee beans that are shipped to us in approximately 42,000-pound containers. Before we roast the beans for sampling, we first measure their moisture levels. We also do a visual inspection, checking for uniformity of color and size and keeping an eye out for any damage.

We use the Specialty Coffee Association of America’s “cupping score sheet” to tally up scores based on a host of criteria: fragrance/aroma, flavor, acidity, body, aftertaste, balance, uniformity, and sweetness, among others. Each of our cuppers typically tastes upward of 6,000 samples of coffee a year. Samples evaluated by our team may also be tested by the importer, the exporter, and the cooperative or farm of origin.



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## Our Operations

The way we produce our products is a key ingredient in our efforts to make them more sustainable. We strive to use resources efficiently in our operations and to reduce our environmental impacts by focusing on energy use, GHG emissions, and waste diversion. Water is a critical resource and one with significant impacts in our value chain. However, because coffee processing is a relatively dry process, we have not historically used a lot of water in our operations. As our product lines expand, specifically with the introduction of our Keurig® KOLD™ system, we will track our water use and work to use water efficiently in our operations.

In 2014, we completed comprehensive GHG and water footprints of our [value chain](#) related to the creation and use of our coffee pods to more fully understand the impact of our products and to identify areas for improvement. The analyses confirmed that our operations at that time represented a relatively small portion of our overall GHG and water footprints (2.5% of our GHG footprint and less than 1% of our blue water<sup>12</sup> footprint).

Over the past several years, we have implemented a variety of changes in our operations in our quest to boost energy efficiency and the proportion of waste that can be diverted from landfill through composting, reuse, waste-to-energy, and recycling options.

### GHG Emissions and Energy Use

Using energy efficiently is one of our top operational priorities. Our operational GHG emissions primarily result from energy used in our roasting operations and the fuel used for our Canadian vehicle fleet. Our greatest use of electricity is in our

<sup>12</sup> Blue Water: surface or groundwater consumed.



We look to Leadership in Energy & Environmental Design (LEED®) as one way to address the environmental impact of our office spaces. We currently have six LEED®-certified facilities, including the new office space we opened in Burlington, Mass., in 2014.

K-Cup® pod packaging operations. Beyond the benefits to our bottom line, reducing our fuel use wherever possible also reduces GHG emissions and our Company's contribution to climate change. [Learn more](#) about our position on climate change and our Climate Change Policy.

In 2014, we began to adjust the scope and manner of estimating our Scope 3 emissions to better align with the activities identified in our GHG footprinting exercise. This helps us to understand and address our total emissions more comprehensively and helps us to be more transparent with how we report our impact. In fiscal 2015, we defined Scope 3 as the energy used to transport raw material and finished goods by third-party logistics partners to and



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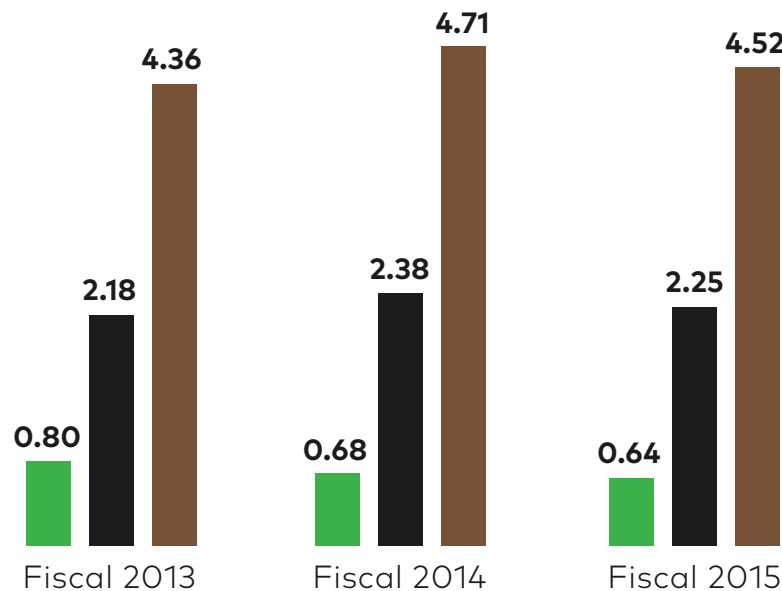
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from Keurig-owned or leased facilities, the energy needed to produce our brewers and packaging materials, and the energy consumed when the brewers are used.

Due to the changes in how we calculate Scope 3 emissions, our total GHG emissions rose in fiscal 2015 compared with fiscal 2014. Although our total GHG emissions rose, our Scope 1 emissions fell by 17% during the same timeframe — a decrease we attribute to operational efficiencies and

WASTE AND ENERGY METRICS VS. SALES GROWTH\*



- Normalized Solid-Waste-to-Landfill (tons/million \$ net sales)
- Normalized Direct Energy (therms/\$1,000 sales) (including affiliate sales)
- Net Sales (in billion \$)

\* Beginning in fiscal 2015, we updated how we calculate Scope 3 energy use. As a result, our normalized energy metric now includes only Scope 1 and Scope 2 energy use. Normalized energy data from past years has been updated to reflect these changes.

changes in our production volumes. We continue to purchase renewable electricity in the form of renewable energy credits for Scope 2 activities across our Company. As a result, we record zero Scope 2 emissions in our public reporting per guidance from the U.S. Environmental Protection Agency for companies that purchase renewable energy credits.

GHG EMISSIONS (SHORT TONS IN THOUSANDS)\*

	FISCAL 2013	FISCAL 2014	FISCAL 2015
Scope 1: Direct Emissions	34	47	39
Scope 2: Purchased Electricity**	0	0	0
Scope 3: Indirect Emissions	129	90***	7,491****
Total Estimated Emissions	163	136	7,530

\* In fiscal 2014, Keurig Green Mountain, Inc. implemented a carbon accounting inventory system that is in alignment with the Greenhouse Gas Protocol's Reporting Standard emission factors. Fiscal 2013 information is not restated based on these new factors.

\*\* We purchase renewable electricity in the form of Green-e certified renewable energy certificates. Consistent with U.S. Environmental Protection Agency guidance, we began recording zero Scope 2 emissions based on our purchase of renewable energy in fiscal 2010.

\*\*\* Beginning in fiscal 2014, we stopped including energy use from employee commuting and corporate travel in our Scope 3 data set. Fiscal 2014 Scope 3 data includes energy used in transportation of raw material and finished goods by third-party logistics partners to and from Keurig-owned or leased facilities.

\*\*\*\* Beginning in fiscal 2015, we began tracking a more comprehensive set of data for Scope 3. Our Scope 3 data now includes energy used in transportation of raw material and finished goods by third-party logistics partners to and from Keurig-owned or leased facilities, the energy needed to produce our brewers and packaging materials, and the energy consumed when the brewers are used. We have not restated prior years according to this new definition.

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## Managing Energy Use

In an effort to manage operational energy use and to increase energy efficiency, we are establishing an infrastructure that allows us to track the energy use of our roasting operations on a per-machine basis using sub-meters. The ability to monitor the energy use of individual machines gives employees running the equipment more visibility into the effects of their decisions, so they can schedule and operate the roasters more efficiently. The meters also provide data we can use to make changes systemwide, which leads to additional energy reductions across all our roasters. This is an ongoing effort as we continue to install meters and other related infrastructure, evaluate our footprint, and set actionable goals for energy use.

In fiscal 2015, our goal was to reduce the fuel consumption per pound of coffee roasted at our U.S. manufacturing sites by 3.2% compared with the prior year. We surpassed our goal by a sound margin, with a total reduction of 22% per pound of coffee roasted, on average, across all our manufacturing sites. We attribute these reductions to the increased awareness we have as a result of the sub-meters we installed, which led to more efficient management of our roasting equipment.

The energy use of our facilities varies greatly, driven by sales and other factors beyond the energy efficiency of the equipment and operations. We track and report absolute energy use as well as normalized energy use. Normalizing is the process of removing the impact of these factors to provide an objective comparison of the energy performance of our facilities and operations. During fiscal 2015, our total Scope 1 and Scope 2 energy use fell by about 10%, and our normalized energy metric fell by 5%.

### FISCAL 2015 REDUCTIONS IN NORMALIZED ROASTER FUEL CONSUMPTION (THERMS/LB.)

SITE	YEAR-OVER-YEAR CHANGE
Castroville, Calif.	-14%
Essex, Vt.	-32%
Knoxville, Tenn.	-5%
Sumner, Wash.	-6%
Waterbury, Vt.	-53%
Windsor, Va.	-34%
Average reduction for U.S. manufacturing sites	-22%

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TOTAL ENERGY USE (THERMS)

	FISCAL 2013	FISCAL 2014	FISCAL 2015
Scope 1: Direct Energy	5,155,214	7,674,455	6,542,405
Scope 2: Purchased Electricity	4,354,877	3,508,428	3,608,974
Scope 3: Indirect Energy	15,204,373	11,120,350*	887,716,270**
Total Therms	24,714,464	22,303,233	897,867,649
Normalized Direct Energy Metric (therms/\$1,000 sales) (including affiliate sales) ***	2.18	2.38	2.25
Direct Energy Metric Change Year-Over-Year	-12%	-9%	-5%

\* Beginning in fiscal 2014, we stopped including energy use from employee commuting and corporate travel in our Scope 3 data set. Fiscal 2014 Scope 3 data includes energy used in transportation of raw material and finished goods by third-party logistics partners to and from Keurig-owned or leased facilities.

\*\* Beginning in fiscal 2015, we began tracking a more comprehensive set of data for Scope 3. Our Scope 3 data now includes energy used in transportation of raw material and finished goods by third-party logistics partners to and from Keurig-owned or leased facilities, the energy needed to produce our brewers and packaging materials, and the energy consumed when the brewers are used. We have not restated prior years according to this new definition.

\*\*\* Beginning in fiscal 2015, we updated how we calculate Scope 3 energy use. As a result, our normalized energy metric now includes only Scope 1 and Scope 2 energy use. Normalized energy data from past years has been updated to reflect these changes.

Our Canadian Fleet

Our Canadian operations own and operate a fleet of vehicles, which makes reducing transportation-related GHG emissions a particular priority for that region. There are three primary ways we reduce the GHG emissions of our Canadian fleet:

- **Better driving habits:** All of our vehicles are outfitted with GPS devices that give drivers and their supervisors better visibility into actions that influence vehicle emissions such as idle times, speed, and route efficiency.
- **Propane fuel:** In fiscal 2015, we continued converting vehicles to propane fuel, bringing the total number of converted vehicles to 81, which is nearly 20% of our fleet. In fiscal 2016, we expect to convert another four vehicles,

reaching nearly 21% conversion of our fleet. The GHG emissions of each vehicle we convert drops by 24%.

- **Efficient vehicles:** When possible, we purchase fuel-efficient vehicles.

Based on these three improvements, we set a goal to reduce GHG emissions by 3% per kilometer in fiscal 2015 compared with fiscal 2014. Our actual reduction for the year was 9%. We were able to surpass our goal by a wide margin mostly due to better than expected results from our GPS program, which helps improve driving habits. In fiscal 2016, we are aiming to continue making incremental progress and have set a goal to reduce GHG emissions per kilometer by an additional 3%.

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## Reducing Operational Waste

We aim to achieve zero waste-to-landfill at our owned and operated manufacturing and distribution facilities by 2020. None of our facilities has reached this goal yet, although several are coming close. In fiscal 2015, our Sumner, Wash., site achieved 96% waste diversion primarily through recycling, donation, and composting efforts. Our Windsor, Va., facility diverted 93% of its waste using a combination of recycling, composting, and waste-to-energy.

Most of our waste results from coffee roasting and from packaging our hot and cold beverage pods. Because reducing waste has been important to us for many years, our facilities already have many programs in place to divert waste from landfills by increasing our recycling, composting, repurposing, and waste-to-energy conversion. Much of this is done through our collaborations with a range of regional and national partners who help us ensure that the majority of manufacturing byproducts are diverted from landfill. Some examples of the approaches our sites take to divert waste include the following:

- **Sumner, Wash.**, uses dismantling equipment to remove coffee grounds from K-Cup® pods rejected during manufacturing so we can recover the grounds for composting.
- **Castroville, Calif.**, installed equipment that pelletizes coffee chaff, making it easier and more cost-effective to transport the chaff for composting.
- **Montreal, Canada**, established a partnership with a cement kiln that uses K-Cup® pods rejected during our manufacturing process to power their operations. The K-Cup® pods provide the kiln with an alternative fuel

source to coal. The minimal amount of ash that remains from the burning process is incorporated into the cement product so there is zero waste.

In addition, each of our sites has a waste committee that evaluates the costs and opportunities of potential waste diversion projects. The employees on these committees also take responsibility for procedure documentation, trainings, reporting, and communication with their peers.

### WASTE DIVERSION RATES FOR MANUFACTURING FACILITIES

SITE	FISCAL 2013	FISCAL 2014	FISCAL 2015
Castroville, Calif.	76%	72%	75%
Essex, Vt.	70%	74%	84%
Knoxville, Tenn.	84%	85%	87%
Sumner, Wash.	93%	91%	96%
Waterbury, Vt.	77%	61%	75%
Williston, Vt.	85%	80%	82%
Windsor, Va.	76%	95%	93%
Montreal, Canada	65%	88%	88%
Average diversion rate for manufacturing facilities	73%*	86%	88%

\* Includes data from our Toronto manufacturing facility, which closed in March 2014.

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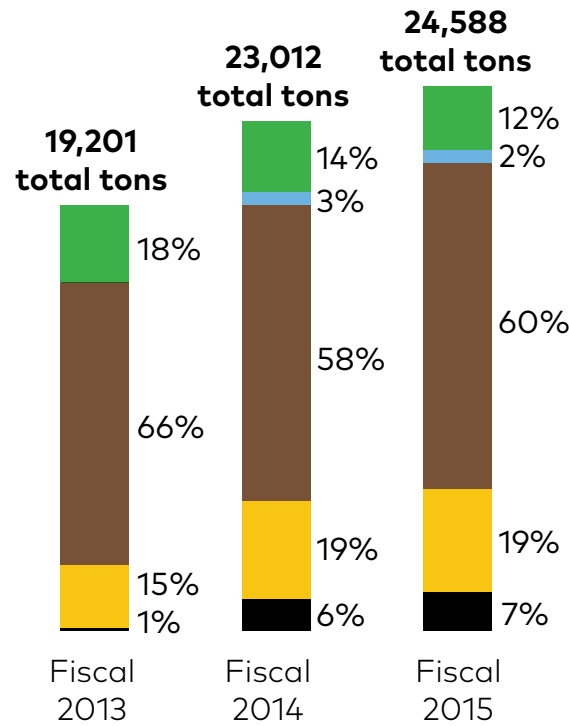
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WASTE GENERATION AND MANAGEMENT (TONS)



■ Solid-Waste-to-Landfill	<b>3,493</b>	<b>3,216</b>	<b>2,876</b>
■ Donations*	--	<b>588</b>	<b>592</b>
■ Solid Waste Recycled	<b>12,719</b>	<b>13,332</b>	<b>14,747</b>
■ Solid Waste Composted	<b>2,863</b>	<b>4,459</b>	<b>4,614</b>
■ Energy Recovery	<b>126</b>	<b>1,417**</b>	<b>1,759</b>

\* We did not begin tracking donations related to operational waste until fiscal 2014.

\*\* Fiscal 2014 energy recovery tons have been updated to include tons sent to cement kiln in addition to previously reported tons sent to waste-to-energy.

DIVERTED WASTE

The waste we divert from landfill disposal includes cardboard boxes, plastic and burlap bags, scrap left over from cutting filters for K-Cup® pods, scrap metal foil from machine turnover and packaging, metal can containers, coffee bean chaff (the outer layer left after roasting), scrap organic material, and residue syrup cleaned out of our KOLD™ pod production lines.

As we stretch toward our 2020 target, we'll continue to pursue multiple waste reduction efforts and try new diversion strategies. Our work to develop a recyclable K-Cup® pod will also help us reach our zero waste target by making it easier for us to responsibly dispose of K-Cup® pod scrap material and K-Cup® pods rejected during production.

In fiscal 2015, our aggregate tons of waste from our North American facilities increased, but the amount of material diverted from landfills increased at a greater rate. As a result, the absolute amount of waste we sent to landfill decreased even though we created more waste compared with last year. This is attributed to the above-mentioned projects, lower scrap rates at manufacturing sites, and better management through incremental waste diversion efforts — for instance, finding a recycling market for materials we previously weren't able to recycle.

Water Use

Aside from a modest amount of water we use to cool coffee beans after roasting, our roasting and coffee packaging processes are dry. Because of this, we used relatively little water in the manufacturing of our products prior to fiscal 2015 and have not historically tracked our direct operational water use.



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However, with the introduction of Keurig® KOLD™, we anticipate that our direct manufacturing water use will increase, and we are beginning to report our water use and our efforts to use water efficiently at our plants. The water use in the production of Keurig® KOLD™ beverage pods is due to preparing water for use in our products, water for the syrups, and the cleaning we do between production runs to remove residue syrup and to sanitize production lines, both of which ensure the quality of the KOLD™ beverage pods. In our Williston, Vt., plant we divert the syrup residue and the cleaning water that we recover during that sanitization process to a holding tank and send it to a local methane digester facility that uses it to generate electricity.

Our total operational direct water use for fiscal 2015 was just over 36 million gallons (136,297 cubic meters). We are putting processes and infrastructure in place to monitor

water use for our KOLD™ operations and to establish baselines. We will continue to track and report these efforts in future years.

### Integrating Environment, Health, and Safety

In fiscal 2015, we integrated our environmental and safety teams to create a single Environment, Health, and Safety (EH&S) team with facility-wide responsibilities. This reorganization embodies our commitment to create a culture of safety and environmental improvement that extends beyond our manufacturing facilities to our office environment and allows us to address environmental and health and safety issues simultaneously and in a consistent manner. The integrated approach also allows easier sharing of information so that the best practices we have developed around safety can be applied to improve our environmental practices and vice versa.

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## OUR WATER USE RATIO

Because roasting and packaging coffee doesn't require a lot of water, the water use ratio for our brewed beverages is very low. The ratio for a single cup of coffee brewed with a Keurig® hot brewing system is 1.01 gal/gal. That means it requires a total of 1.01 gallons of water from our operations and during the use of our brewing system to produce 1.00 gallon of brewed coffee. The average water use ratio in the beverage industry for a range of non-coffee beverages is 2.69 gal/gal as of 2012.<sup>13,14</sup> This water use ratio measures only the water needed in our operations and when customers use our products to make a

cup of coffee. (Please review our [water footprint](#) to obtain a more comprehensive view of our water use throughout the value chain.)

Even though it's not typically a coffee industry metric, we began benchmarking our brewed beverages using a water use ratio because it will be an important measure for our expanding beverage portfolio. Once our KOLD™ manufacturing processes are running at full capacity, we will begin work to quantify a water use ratio for our KOLD™ beverages as well.

<sup>13</sup> Beverage Industry Environmental Roundtable and Antea® Group. 2014. Beverage Industry Continues to Drive Improvement in Water and Energy Use. 2013 Trends and Observations.

<sup>14</sup> The industry average reflects a range of beverage types, but does not include coffee.



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# Clean Water for Everyone

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Keurig believes everyone should have clean water. As a beverage system company, water is a fundamental input to our business, whether that be the rainwater that sustains coffee crops or the drinking water used to create our beverages. We recognize that water is a critical natural resource that is of strategic importance to us, our stakeholders, and the communities in which we operate.



### 2020 target

Balance 100% of the water used in our 2020 brewed beverage volume in all our beverages, ounce for ounce.

The planet faces vast water challenges, from sanitation problems and water shortages to clean water availability and changing weather patterns due to climate change. Because of the interconnected nature of such challenges on both a local and global scale, collective and cross-sector action is required. Keurig is marshaling our employees, consumers, business partners, and others in collaborative solutions that will drive innovation, both in our products and in water projects that we support around the world. We believe Keurig can uniquely contribute to mitigating global water problems by combining our strengths in innovation, partnership, and sustainability.

Our approach to water stewardship aims to take into account water use across our entire value chain, from coffee farms to production to consumption.

### WE FOCUS ON THREE AREAS OF ACTION:



**Balancing**, ounce for ounce, the water used in all our beverages through projects that restore an equal volume of water for nature and for people.



**Connecting** people to clean water, including our employees, our communities, and our consumers.



**Optimizing** resources through efficient use of water in our operations and supply chain.

Moreover, good coffee management is good water management. That's why water stewardship is explicitly included in our supply chain livelihoods target. Improving water security for coffee farmers within our agricultural supply chain increases their resilience and improves their livelihoods. Our work with Blue Harvest, a project to restore and manage water resources on farms and in upstream and downstream areas in Central American coffee regions, contributes to productive coffee farms and healthy watersheds and communities. We also connect people to clean water sources by supporting improved drinking water supplies. For example, we have been partnering for years in coffee-growing communities with Water for People to provide sustained water access. (Read more about water partnerships in the [Strong Supply Chains section](#).)

## Restoring Water to People and Nature

Keurig offers consumers a resource-efficient choice. And, with Keurig, people can give back to people and nature every time they brew a beverage. For every cup brewed, we have pledged to restore a cup of water to people and nature. Our water balance target is to restore a volume of water equal to our 2020 brewed beverage volume. In fiscal 2015, consumers drank an estimated 656 million gallons of Keurig® brewed beverages.

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## SMART WATER USE

Our water commitment goes hand-in-hand with our commitment to create products that help consumers be smart about their water use. The Keurig® brewing system uses water from the tap and only the amount that will be consumed as part of the beverage prepared. In comparison, 15% of a pot of coffee is typically thrown out,<sup>1</sup> wasting the coffee, the water, and all of the underlying resources that went into making it.

Read about [the water footprint](#) analysis of our brewers and beverage pods in the Products section of this report.

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## MEASURING PROGRESS TOWARD OUR 2020 WATER BALANCE TARGET

We are excited to have already balanced nearly 80% of the water used in our beverages, based on our fiscal 2015 pod sales volume. The water restoration completed to date will serve as a solid foundation for our work going forward, as we expect our beverage volume will continue to grow every year through 2020.

<sup>1</sup> Keurig Research Study on Waste Coffee, February 2016.

Every great beverage starts with clean water. Keurig® appliances use water to produce each beverage — an estimated 656 million gallons annually.

We are working toward this target by partnering with experts who understand how to enhance freshwater ecosystems. We look for collaborations that can improve water quality where it has been compromised. Some projects result in high volumes of water restored; others have lower balance benefits, but all projects provide significant benefits for people and nature.

And we are off to a great start. To date, we have restored over 524 million gallons (or 1,984 million liters) through our support of several projects in the United States, in geographies where people make our beverages, that are enhancing waterways for wildlife and for the people who rely on those waters for drinking, livelihoods, and recreation.

We started our balance work with our support of [Raise the River](#), a coalition of organizations, including The Nature Conservancy, which works to protect and restore the Colorado River Delta. Our support has resulted in visible and documented ecosystem improvements that are generating widespread benefits to local economies, tourism, and recreation. We also support American Rivers, a long-time partner of Keurig that has worked with us to address fish passage issues and to restore critical floodplain and riverbank habitat. American Rivers partners with us in many of our employee volunteerism community projects.

Our water balance target is to restore, cup for cup, a volume of water equal to our 2020 brewed beverage volume.



Consumers brewed an estimated **656 million gallons** of Keurig® beverages in fiscal 2015.



TO DATE, WE HAVE RESTORED  
MORE THAN

**524M**

GALLONS OF WATER

WHICH WOULD FILL NEARLY

**793**

OLYMPIC-SIZED POOLS



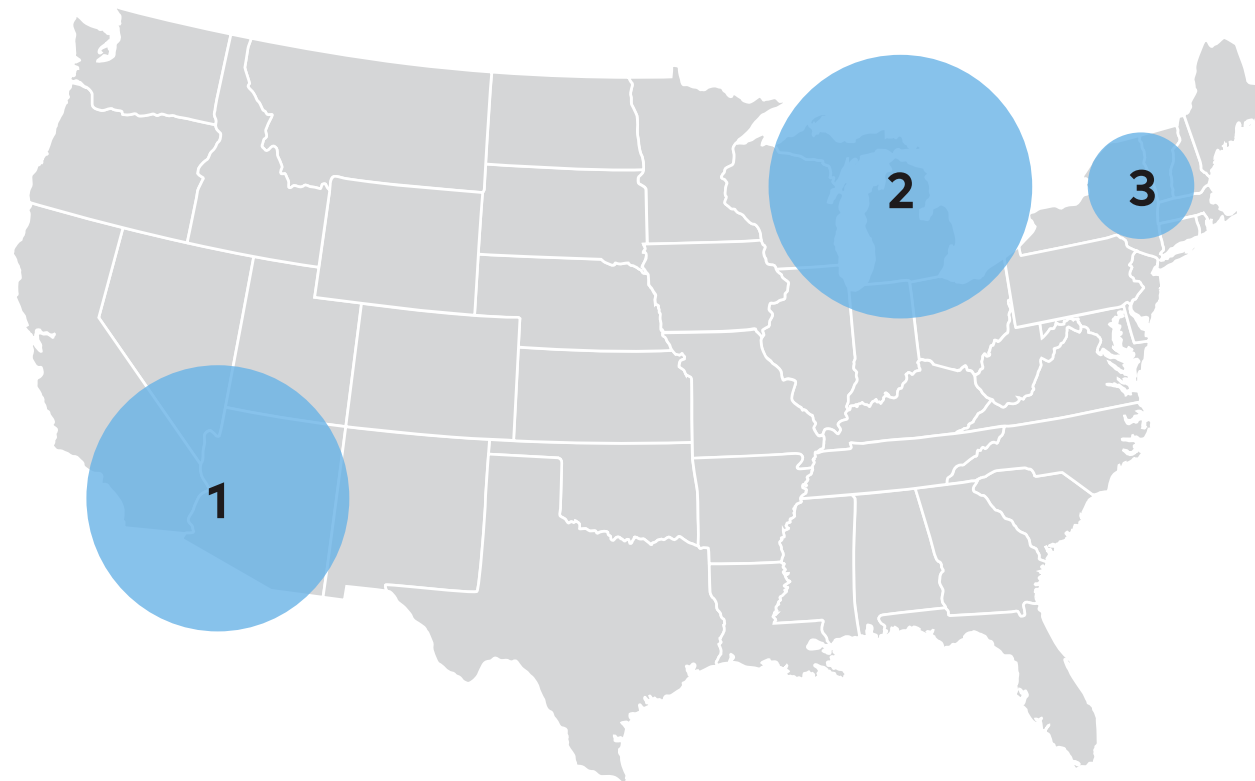
## Collaborating with The Nature Conservancy

Our collaboration with The Nature Conservancy took on a new dimension in October 2015 when we announced joint priorities to protect and restore the wetlands, floodplains, rivers, aquifers, and lakes that provide and protect clean drinking water for tens of millions of people in North America. In addition to water restoration, our collaboration will enable innovative funding for water quality improvements now and into the future.

In addition to our work through Raise the River in the Colorado River Delta, Keurig and The Nature Conservancy are also supporting efforts in our Company's home state of Vermont, in the Lake Champlain watershed, which is critical

to the area's ecosystem and to livelihoods in the state. Keurig is supporting the Conservancy's efforts to protect and restore water resources, resulting in multiple benefits — from greater flood protection, to restored fish and wildlife habitats, to cleaner water in the lake itself.

Moving forward, Keurig will also support Conservancy projects focused on water quality improvements and conservation in the Great Lakes region. Our contributions will help the Conservancy enhance existing water management tools and support direct farmer engagements to improve agricultural practices on lands that return clean water to the Great Lakes.



- 1. Colorado River Delta:** With Raise the River, we are balancing more than 524 million gallons of water/year to the Colorado River Delta, which provides drinking water to approximately 40 million people.
- 2. Great Lakes Region:** We are partnering with The Nature Conservancy on projects that will focus on water quality improvements for approximately 40 million people.
- 3. Lake Champlain:** We are partnering with The Nature Conservancy on projects to improve water quality for approximately 200,000 people in the Lake Champlain basin.

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## REVIVING THE COLORADO

The Colorado River Delta is ecologically and economically vital to the United States and Mexico, yet it's been degraded by water supply demands, dams, and climate change. About 40 million people live in the Colorado River watershed. Some of the younger generations, however, have only experienced a dry riverbed — not the powerful river the Colorado once was. The nonprofit coalition [Raise the River](#) aims to revitalize the Delta for the benefit of people and the environment.

A pioneering effort, the project involves various conservation organizations, including The Sonoran Institute, The Nature Conservancy, Environmental Defense Fund, the National Fish and Wildlife Foundation, the Redford Center, and ProNatura Noroeste. Together, the groups work with the U.S. and Mexican governments to restore the Colorado River Delta by acquiring and leasing water rights through the Mexico-based Colorado River Delta Water Trust and enhancing riverbank habitats. With the help of Keurig's \$4.8 million investment, Raise the River has acquired permanent rights to 524 million gallons (or 1,984 million liters) of water and restored 680 acres (275 hectares) of habitat. The project has also planted 100,000 trees, which are essential to improving habitat in the Delta.

Local school children planting trees at Laguna Grande Restoration Site as part of the Raise the River project.

## Keurig's \$4.8 million investment has helped Raise the River accomplish the following:

.....  
acquire permanent water rights to  
**524M**  
gallons (or 1,984 liters) of water

.....  
restore  
**680**  
acres of habitat

.....  
plant  
**100,000**  
trees in 2015



Photo credit: Sonoran Institute



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A key accomplishment in spring 2014 was the cooperative release by the United States and Mexico of a pulse flow, which mimics the natural surges of water that occur in healthy rivers after rain or snow. Pulse flows no longer occur naturally on this stretch of the Colorado because of intensive water use and numerous dams upstream from the Delta. The pulse flow, which increased the volume of water for eight weeks, helped improve the Colorado River Delta's health, revived wildlife habitat, and spread seedlings of native trees. As a result, the Colorado flowed all the way to the Gulf of California for the first time since 1998.

Raise the River also engages area residents in environmental education activities in both the United States and Mexico, with more than 100 outreach activities conducted in 2015. The aim is for community members to learn about the Colorado so they, in turn, become advocates for conserving and protecting it.



San Luis de Colorado community members welcome the return of the Colorado River as water from the pulse flow arrives.



Photo credit: Francisco Zamora / Sonoran Institute

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## COMPANY WATER POLICY

Threats to water quality and availability present fundamental risks to the quality and availability of our beverage products, as well as to our suppliers' livelihoods. That's why we developed our Company's Water Policy in 2014. We focus on implementing the following rights-based approaches to water stewardship across our value chain:

- Expand access to clean, sufficient, and affordable water and sanitation resources
- Protect water resources and contribute to the resiliency, health, and quality of freshwater resources and ecosystems
- Foster innovation in research efforts to develop improved solutions to address the water crisis
- Raise awareness of our collective impact on water resources and educate our suppliers and other stakeholders on actions they can take to address the water crisis locally and globally
- Collaborate with others to amplify the positive contributions we make.

Read the full policy [here](#).



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We are providing funding to help improve water quality in Lake Champlain in Vermont.

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## LAKE CHAMPLAIN'S PHOSPHORUS PROBLEM

Early in 2015, Keurig announced a commitment of up to \$5 million over five years to improve water quality in Vermont through a public-private partnership. The primary challenge in Lake Champlain — and many other lakes — is too much of the nutrient phosphorus, which causes excessive aquatic plant growth and algal blooms. Such growth can threaten drinking water supplies, close beaches due to human health threats, devalue property, and endanger fish and other aquatic organisms. Phosphorus runoff from agricultural fields, urban roads, and paved areas eventually reaches Lake Champlain through streams, rivers, and drainage systems.

We are partnering with LimnoTech, a leading water consultancy, and the Vermont Agency of Natural Resources to create a tool that will help prioritize watershed management actions, optimize allocation of resources, and provide a platform for describing additional benefits, such as improved habitat and reduced flooding. Groups across Vermont working to improve water quality will be able to use the tool, which will be housed by the Agency of Natural Resources.

## Making Connections

At Keurig, we have a powerful platform to partner with organizations across all sectors, identifying and creating innovative solutions to global water challenges in an effective and sustained way. Since fiscal 2013, we have invested more than \$15 million in water collaborations with leading nonprofit organizations that are working in the United States and globally to promote water security. Addressing the long-term challenges of the water crisis requires the insights and inputs of many, so we team with organizations with complementary strengths to amplify our impact and achieve our goals.

Recently, in recognition of our support of the Human Right to Water, we joined the CEO Water Mandate and have begun to explore the potential of that collaboration.

Our stewardship approach includes targeted activities that engage Keurig employees and consumers in understanding the critical issues around water. For our employees, we provide volunteer opportunities that leverage their enthusiasm and energies, especially through water restoration events.

With millions of consumers using our brewing systems and drinking our beverages every day, we have a unique opportunity to engage with them about relevant water

challenges through our products and social media. In the United States especially, many people don't give much thought to water or where it comes from — until there is a problem, such as drought, supply contamination, or concern about aging infrastructure. Our products rely on clean, fresh water — and, therefore, sound infrastructure to deliver water to homes and businesses.

We want to raise consumer awareness and encourage consumers to be part of the solution in securing water supplies globally and locally. By connecting consumers with our products and what goes into them, we are able to amplify our own efforts and impacts across the key phases of our value chain, from sourcing and processing the high-quality ingredients that form our beverages to the manufacturing, distribution, consumer use, and end-of-life stages of our products.

We are engaging with a mix of new and existing collaborations, funding work that addresses water access, conservation, and watershed restoration. Some of the projects build upon activities we have been doing for years — such as water management on coffee farms and river cleanups with our employees in local watersheds. Other partnerships help connect people to water stories at home and around the world, such as those with charity: water and Blue Legacy.





Photo credit: Esther Havens / charity:water



### charity: water

The Keurig concept of connecting people to clean water is not limited to supporting projects that provide water access, sanitation, and hygiene to those who need it. We also see a huge need to help people understand and connect to global water challenges, as well as to offer them an opportunity to be a part of the solutions.

We have joined forces with charity: water to bring clean water to more than 81,000 people through over 250 projects in the coffee-growing countries of Rwanda and Ethiopia. We are now working with charity: water on [Pipeline](#), a program that keeps water flowing after new water access points have been established. The Pipeline project brings together local leaders and mechanics with innovative technology to repair and maintain water sources at 11,000 charity: water wells around the world. We pledged \$150,000 to Pipeline's work to support long-term planning and creation of training and tools for implementation in the Rulindo District in Rwanda. Since 2013, Keurig has invested \$3.4 million in the work of charity: water through our funding and by spreading the word about the water crisis through social media campaigns.

### Blue Legacy: Newsroom

Keurig has been supporting a new project led by Blue Legacy International, a nonprofit headed by Alexandra Cousteau, and the Global Environment and Technology Foundation (GETF). The Newsroom project follows water events around the United States and the world to bring greater understanding and awareness to important water-related issues. Blue Legacy has a long track record of exploring water issues and sharing its findings through short films and mainstream and social media. In fiscal 2015, Keurig supported the production of three short films highlighting the Lake Champlain Watershed in Vermont.

## CURRENT

Keurig Green Mountain has dozens of business partners, giving us a unique convening power that can help us contribute to solutions to global water challenges. Our second annual CURRENT conference, held in late summer of 2015, brought together more than 100 visionary leaders in the private, public, and nonprofit sectors — all with a vested interest in creating a water-secure world. Many of the participants are competitors in business, yet they came together over two days to talk through solutions to massive challenges ranging from water quality to water availability.

"A conference like this is important because it brings together people like me from the nonprofit sector with other leaders from corporate and public sector utilities," said Eleanor Allen, CEO, Water for People. "Keurig is able to bring us all together so that we can discover synergies and find new opportunities together because we do have a common purpose."

Like our first conference the prior year, our intent was to stimulate conversations, collaboration, and problem solving. The conference aimed to overcome barriers and collaborate on solutions, generating conversations at the intersection of water, innovation, and learning.

Among the key themes and takeaways from the conference are these:

- There is no single water issue and no single solution, and diverse water issues are impacting businesses, communities, and individuals in vastly different ways.
- To be most effective, communications need to be personal and focus on the value that water provides to each individual consumer.
- The new circular economy model recognizes the value of resource recovery — for example, water reuse and nutrient and energy recovery from wastewater.

- There can be an inherent conflict between innovation and resource recovery. As in materials recycling, water systems must be integrated and work collaboratively in a smart way. Product and system innovation must account for recovery early on rather than after the fact.
- Small efforts can lead to big impacts when companies work together and in partnership with local governments and nongovernmental organizations. When companies take collective action, duplication of efforts can be reduced, leading to greater scale and impact.

*"The water crisis is upon us. Growing demand and growing population are going to result in a world where water is going to be increasingly scarce. All of us as companies need to be able to address that. And the sooner we do that, the better."*

— MICHAEL KOBORI, Vice President, Sustainability, Levi Strauss & Co.

*"As a result of these types of conversations that Keurig has put together, I'm phenomenally optimistic about where we're headed."*

— RADHIKA FOX, CEO, US Water Alliance

## Optimizing Resources

Our Company's own direct water usage has historically been low since coffee processing is not especially water intensive. In fiscal 2015, our total operational water use was just over 36 million gallons (136,297 cubic meters). Learn more about our footprint and optimization efforts in the [Sustainable Products section](#) of this report.



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# Strong Supply Chains

OUR PEOPLE AND  
COMMUNITIES



Weather, geopolitics, global commodity markets. These issues and many more affect the ability of our suppliers to thrive and to provide the goods and services we need when we need them. That's why supply chain resiliency — the capacity of our suppliers to adapt and prosper under a range of conditions — is essential to the viability of our business.

Our supply chain spans the world, from farms in the coffee bean belt that circles the globe to the factories across Asia and Europe that build our appliances and other products. We're committed to addressing social, environmental, and business challenges — and to building resiliency — throughout this complex and varied supply chain. The relationships we've developed with our suppliers offer us an understanding of the challenges our supply chain communities face and insight into how to address them. As a company dependent on high-quality agricultural ingredients, climate and water resiliency are especially important and are woven into our comprehensive, holistic approach to engaging with farmers.

We build supply chain resiliency through two major approaches: supplier engagement, particularly with coffee farmers, and responsible sourcing practices. We aim to provide our suppliers, their employees, and their communities with the skills and tools they need to build a foundation of resilience that will improve business practices and livelihoods. These efforts, in turn, will help to generate a long-term, sustainable supply of high-quality products and ingredients for our consumers.

We have set two ambitious targets, which we intend to achieve by 2020, to improve the resiliency of the people and lands that support our products. These targets are built, in part, upon our [water policy](#), our [climate change policy](#), and our [Responsible Sourcing Supplier Guidelines](#). This section of our sustainability report discusses our supply chain work especially as it relates to these targets.

## Improving Livelihoods



### 2020 target

Engage 1 million people in our supply chains to significantly improve their livelihoods including water security and climate resilience.

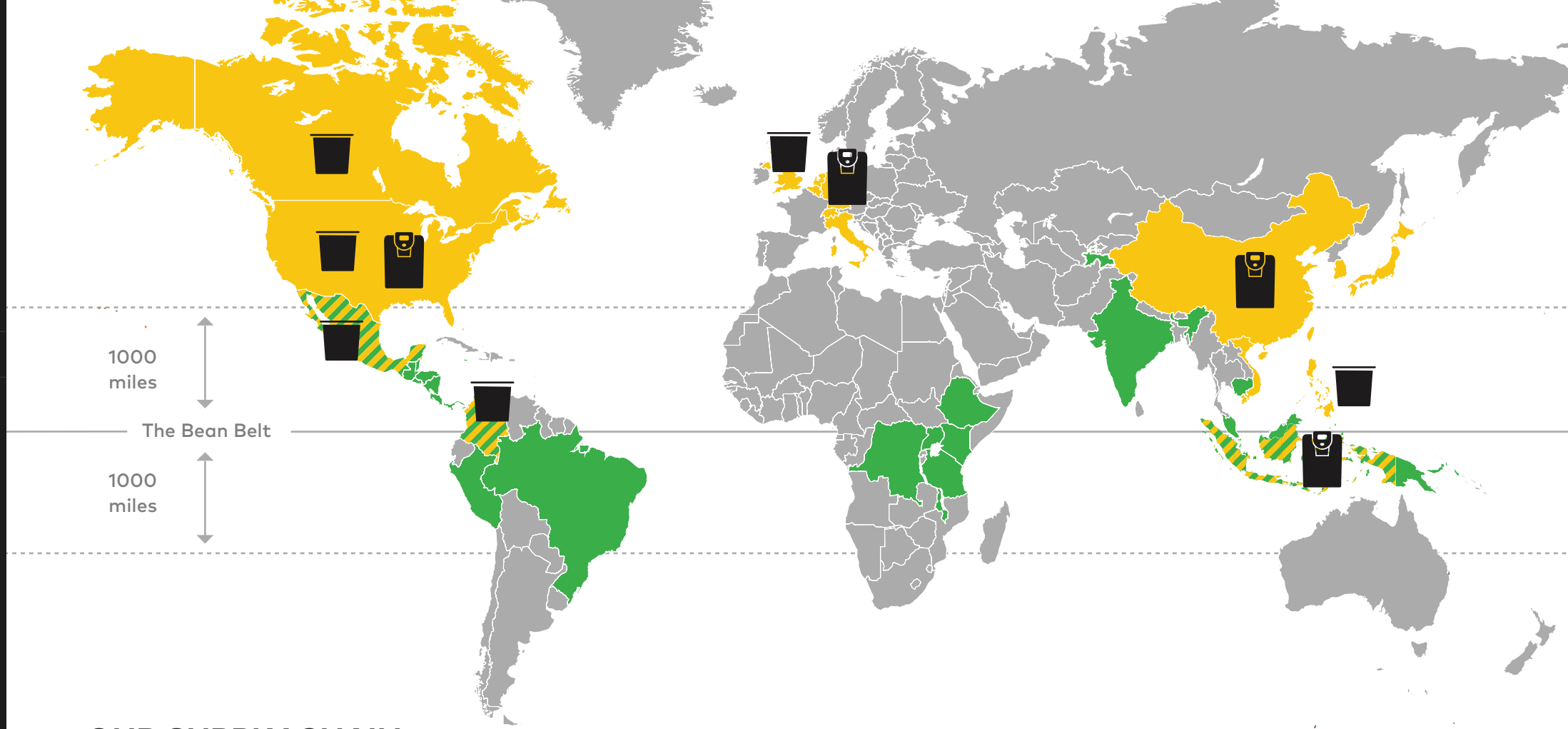
The challenges — and opportunities — in coffee communities are complex and interconnected, whether they involve crop quality and harvest sizes, threats to food and water supplies, or the serious impacts of climate change. Keurig Green Mountain has been dedicated for years to building a holistic understanding of the needs of coffee-farming communities and to building a foundation of resilience that can see them through even the toughest of times.



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**OUR SUPPLY CHAIN**

**The Bean Belt**

Generally, coffee is grouped into three major growing areas: the Americas, Africa, and Asia, within 1,000 miles of the equator.

**Packaging Sourcing**

Plastic cups, filter paper, and materials for packaging our pods come from a network of suppliers in countries including Canada, Colombia, Mexico, the Philippines, the United States, and the United Kingdom.

**Brewer Sourcing**

Our Keurig® brewers are built by contract manufacturers in factories across China and Malaysia. The component suppliers are typically located in Asia Pacific, the United States, and Europe.

 Coffee Supply Chain

 Sourcing

 Packaging

 Brewer

 Coffee Supply Chain and Sourcing

Many small-scale coffee farmers and workers struggle with poverty and food insecurity, and we have a vested interest in their success and resiliency. We believe that improved livelihoods will help farmers stay on their farms and reinvest in their coffee, which can create an economic incentive for the next generation to pursue farming, rather than migrate to urban centers. Therefore, we set an ambitious target to not only engage the farmers in our supply chain but to actually improve their livelihoods, which is essential to ensuring a long-term, consistent supply of high-quality products.

We measure our progress toward our target of 1 million people through a set of impact indicators that relate to the three primary focus areas we support: improving farming techniques, including for both income and food, addressing local water issues and planning for changes in climate, and strengthening farmer organizations.

### Tracking Our Progress

Significantly improving the livelihoods of 1 million people in our supply chains is no easy task, and we intentionally chose a challenging target. To meet it, we're partnering with organizations with expertise in building the capabilities of local organizations and people. One particular puzzle for us is determining how to measure our progress against this target in a meaningful way so that we know that the programs we are supporting to achieve it are having their intended effect.

To date, we have supported 282,220 individuals to significantly improve their livelihoods through projects that

we fund. In prior years, we were only able to calculate how many individuals had participated in programs we funded; this was tallied at 384,000 in Fiscal 2014 and reached 493,000 in Fiscal 2015. Our new methodology for tracking against our 2020 target, however, goes one step further to count the number of people who have accomplished specific goals that help them achieve significant and lasting improvements in their lives and those of their family members. We defined these impact indicators together with project partners and metrics experts to strengthen our approach to reaching our 2020 goal. See the next page for some examples of the outcomes we are working toward; for information on specific impact indicators and measurement, see our monitoring and [evaluation guide](#).

*"Keurig Green Mountain's methodology for counting toward its 1 million livelihoods target is thoughtful, transparent, and nuanced, appropriately distinguishing between the number of individuals targeted by programs and actively participating in programs. The approach is also right-sized and empathetic, avoiding placing undue burden on partners by identifying metrics that are credible while also being feasible to collect on the ground."*

— ASYA TROYCHANSKY, Senior Impact Officer, Root Capital



## We improve livelihoods in coffee-growing communities by focusing on three primary solutions with our partners.



Improving farming techniques



Addressing local water issues and planning for changes in climate



Strengthening farmer organizations



### Adoption of better coffee-farming practices

Community Agroecology Network  
NICARAGUA

**8,165**

people in coffee-farming households have improved farming practices by implementing techniques like soil conservation, compost production, and cover cropping practices in their coffee and basic grain production.



### Income diversification

Save the Children  
INDONESIA

**1,304**

people live in households where women have established microbusinesses to provide their families with income beyond their coffee earnings.



### Improved food security

Catholic Relief Services  
EAST AFRICA

**32,565**

people in 6,513 coffee-growing families have increased the number of months of food self-sufficiency.



### Improved nutrition

Heifer International  
PERU

**2,420**

people in 515 coffee-growing households are now consuming a more diverse diet, including more animal protein.





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### Convenient access to drinking water

Water for People  
NICARAGUA

**3,172**

people have better access to drinking water; ongoing monitoring shows improved service and long-term sustainability.



### Better household water sanitation

Medicines for Humanity  
RWANDA

**71,475**

people live in households that now purify and store their drinking water safely.



### Adoption of water-smart farming practices

Mercy Corps  
COLOMBIA

**6,500**

people live in households that have adopted practices that support the proper use and protection of water and soil.



### Services available to farmers

Root Capital Root Link  
CENTRAL AMERICA

**16,188**

people live in households that received loans to replant aged or infected coffee trees.



## Partnering in Coffee Communities

Partnering for mutual success is one of our core company values and vital to our supply chain efforts. Not only do we collaborate with nongovernmental organizations (NGOs) to improve the resiliency of our supply chain, but we also work with our suppliers and industry peers to improve living and working standards — and resulting livelihoods — for everyone.

Our support for coffee farmers comes through a variety of partnerships and programs that concentrate on yield improvements, water resources protection, income diversification for food security, sustainable production practices that support climate adaptation, capacity strengthening of farmer organizations, and research on coffee plants.

Below, we highlight some of the programs we have been supporting in coffee-growing communities.

### Recovering from Coffee Leaf Rust Disease

The resilience of coffee communities from Mexico to Peru has been tested over the past several years by *la roya*, or coffee leaf rust disease, a fungus that attacks the leaves of coffee plants, prevents the coffee plant from flowering, and significantly decreases coffee yields. Because we source our coffee from around the globe — and not just from Central and South American countries — *la roya* doesn't pose a direct threat to our coffee supply. But it has caused significant damage to many of the coffee communities where we have important relationships, particularly in Latin America, which produce a type of coffee that is an important part of our sourcing mix, with special taste qualities that our consumers enjoy.

*"With financial support from Root Capital, Cooperative Maya Ixil has been able to increase the volume of coffee we commercialize and make coffee payments to members on time, something that was quite complicated before. Additionally, Root Capital has provided us with financial training, enabling us to more efficiently manage our credit system. It used to take us about 20 days to approve or disburse loans for cooperative members — now it takes only five to eight."*

— SUSANA RODRÍGUEZ PÉREZ, General Accountant, Cooperative Maya Ixil

— ALDEA SANTA AVELINA, San Juan Cotzal, El Quiché, Guatemala

To aid farmers in their fight against — and recovery from — *la roya*, we supported the launch of the Coffee Farmer Resilience Initiative (CFRI) with a three-year commitment, beginning in early fiscal 2014. The initiative provides financial advisory services for rural farmer enterprises and unlocks long-term financing critical for replanting and recovery. Keurig's investment has enabled Root Capital, the nonprofit social investment fund behind CFRI, to raise additional funds to provide greater support to their clients across the region; the CFRI has grown to include other coffee companies and donors and now counts on resources exceeding \$7.2 million. As of November 2015, Root Capital had provided in-depth financial training — especially on internal credit systems critical for lending — to 60 farmer organizations. They have disbursed more than \$6.8 million in funding for coffee renovation, rehabilitation, and climate resilience to nine of these organizations so far.

Thanks to CFRI's work, 880 smallholder farmers in Nicaragua, Honduras, and Peru have renovated and rehabilitated 4,223 acres (1,709 hectares) of land.

### Coffee: A Watershed Opportunity

Water is an essential input for coffee trees and bean processing — and, therefore, key to the resilience of coffee farmers and their communities. To farmers, water security means that there is sufficient water not only for consumption and local food production, but also enough water at the right time and in the right place for their coffee trees to thrive. Because coffee grows optimally at high altitudes in agroforestry systems, farmers have the opportunity and ability to be stewards of vital water resources for the entire watershed. It is due to this tight

link between water and sustainable coffee production that water stewardship is a focus of our outreach funding. Well-managed coffee systems can protect and restore watersheds that provide potable water for rural and urban communities downstream.

This opportunity is best highlighted in the Blue Harvest program, a four-year initiative coordinated by Catholic Relief Services (CRS), to which Keurig Green Mountain has contributed \$3 million as a founding funder. Blue Harvest and CATIE (Tropical Agricultural Research and Higher Education Center, *Centro Agronomico Tropical de Investigacion y Ensenanza* in Spanish) estimate that upwards of 9 million people in Central America depend on coffeelands for their water supply.

*"We can apply many agricultural techniques, but without water we have poor productivity. It's time we raise awareness that we have to take care of our resources. There are many actions we're pursuing: replanting and taking care of forests, using eco-conscious practices, using fewer pesticides near water sources, and not cutting down trees near water recharge zones."*

— **WISTON ISAAC VILCHEZ GONZALEZ**, Blue Harvest technician, pictured here collaborating with coffee farmer Isaac Fley Ordonez in El Consuelo, Tuma La Dalia, Nicaragua



Photo credit: Catholic Relief Services

Blue Harvest works with community leaders and coffee farmers to improve the quality and quantity of water for 150,000 people in El Salvador, Honduras, and Nicaragua. The project focuses on seven watersheds to address the following:

- Protect and restore water sources
- Improve coffee productivity while applying sustainable, water-smart agricultural practices
- Strengthen local capacity for water resource management.

In 2015, Keurig supported Blue Harvest's successful bid for an additional \$1.62 million grant from the Multilateral Investment Fund (MIF) of the Inter-American Development Bank, which will help Blue Harvest deepen and broaden their impact in their areas of operation. The MIF has recently launched a new Sustainable Agriculture, Food and Environment (SAFE) funding platform — and Blue Harvest was the first program it financed. Serving on the Steering Committee for the funding platform, Keurig partners with other food and beverage companies and NGOs to address the challenges of sustainable agriculture and to promote the inclusion of smallholder farmers in Latin America and the Caribbean in global value chains.

### CANAVALIA: A COFFEE FARMER'S BEST FRIEND

Juan Hurtado runs a field school for fellow coffee farmers at his farm near San Ramon, Nicaragua, as part of the Blue Harvest program. One of Hurtado's innovative farming techniques is especially helpful in retaining rainwater in an area that often sees drought.

Hurtado plants the soil-enriching *canavalia* plant between his rows of coffee. The plants capture excess rainwater from the soil during the rainy season, then are chopped and left on the soil surface. This improves soil moisture and fertility. Growing vigorously, the plants also suppress unwanted weeds, reducing the need for pesticides. Hurtado has expanded *canavalia* to his entire farm and distributes seeds (and technical know-how) to neighboring farms.

.....  
Juan Hurtado with his canavalia plants.



Photo credit: Catholic Relief Services



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## To date, Blue Harvest has achieved the following:

1,475

coffee farmers (who manage a cumulative 3,163 acres [1,280 hectares] of coffee fields) were trained in water-smart agricultural practices; these farmers all adopted recommended practices that sustainably improve agricultural productivity.

30,000+

people have improved drinking water through upgrades made to 13 water systems.

259,286

gallons (981,504 liters) of water were conserved through efficiency improvements in wet milling in Honduras.

Juan Alberto Rivas' coffee farm in Tuma La Dalia, Nicaragua, lies next to a stream that is the source of water for the community of Verapaz. Through Blue Harvest, he has applied water-smart practices on his farm, such as techniques to preserve soil moisture and use of organic fertilizers and pesticides.





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## CREATING OPPORTUNITY (AND THE BEST CUP OF COFFEE) IN COLOMBIA

As in other coffee-growing regions, many coffee farmers in Colombia face poverty and food insecurity. In Tolima, though, these challenges are more acute than in other parts of the country. The Colombian government reported that 69% of families in southern Tolima experienced malnutrition, compared with a national average of 13.5%. Mercy Corps' baseline research in the region also found that 61% of coffee farmers did not have their own vegetable gardens, which can help provide better nutrition for farming families. Further, farmers had limited knowledge of nutrition and limited availability of fresh food with high nutritional quality.

In 2013, Mercy Corps partnered with the Coffee Growers' Cooperative of Southern Tolima, a longtime Keurig supplier, to create the Land and Opportunity in Tolima (LOT) program. We supported the program with a \$900,000 grant to improve the nutritional security of 1,300 vulnerable coffee-growing families.

Over the last two years, all 1,300 farmers established vegetable gardens for their families and increased the nutritional intake within the family diet. Participants sold the produce their families didn't consume, generating a 40% increase in monthly income.

In addition to food insecurity, many farmers in this region do not have proper titles to their land, putting their farms in jeopardy and limiting their ability to invest in improvements and access loans for replanting. Working closely with these farming communities, Mercy Corps' LOT program helped obtain legal certification of property rights for 203 farmers, including 80 single mothers and 19 young people, increasing the value of their farms by 25%. Beyond the pride of formalized ownership of their land, these titles mean farmers are now able to borrow funds to support their businesses and to access the government's rural development programs — two important factors in escaping poverty.

Photo: Miguel Samper for Mercy Corps



Coffee farmer Maria Flor Morales pulls a carrot from her kitchen garden. Before working with the LOT program, Morales says that her family didn't eat many vegetables.

***"We now have something that is really ours, and we work with more enthusiasm. There are no disadvantages. What we need, we grow on the farm. We don't need to buy vegetables from other places. With my title, I've improved my farm, and I'm recognized as the owner."***

— LUIS FELIPE ZAMBRANO EMBUS, coffee farmer, Tolima, Colombia

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Photo credit: Miguel Samper for Mercy Corps



LOT program beneficiary Astrid Medina Pereira, winner of the prestigious Cup of Excellence competition by the Colombian National Federation of Coffee Growers (Fedecafé). Pereira is one of the 1,248 farmers trained by LOT in efficient water and soil management to reduce the impact of coffee-growing on the environment.

### Intercambios

In order to share best practices, strengthen our relationships with suppliers, and create higher-quality products, Keurig initiated Intercambios ("exchanges" in Spanish) in our supply chain. The gatherings are designed to bring together individuals from every step of the coffee supply chain to collaborate on issues that most affect the quality of life in coffee communities and the quality of the crops they produce.

Though Intercambios are a key component of our engagement strategy, we did not hold a formal event in fiscal 2015 due to the relocation of our coffee sourcing department from Vermont to Lausanne, Switzerland. We look forward to bringing back Intercambios in 2016, this time in Brazil.



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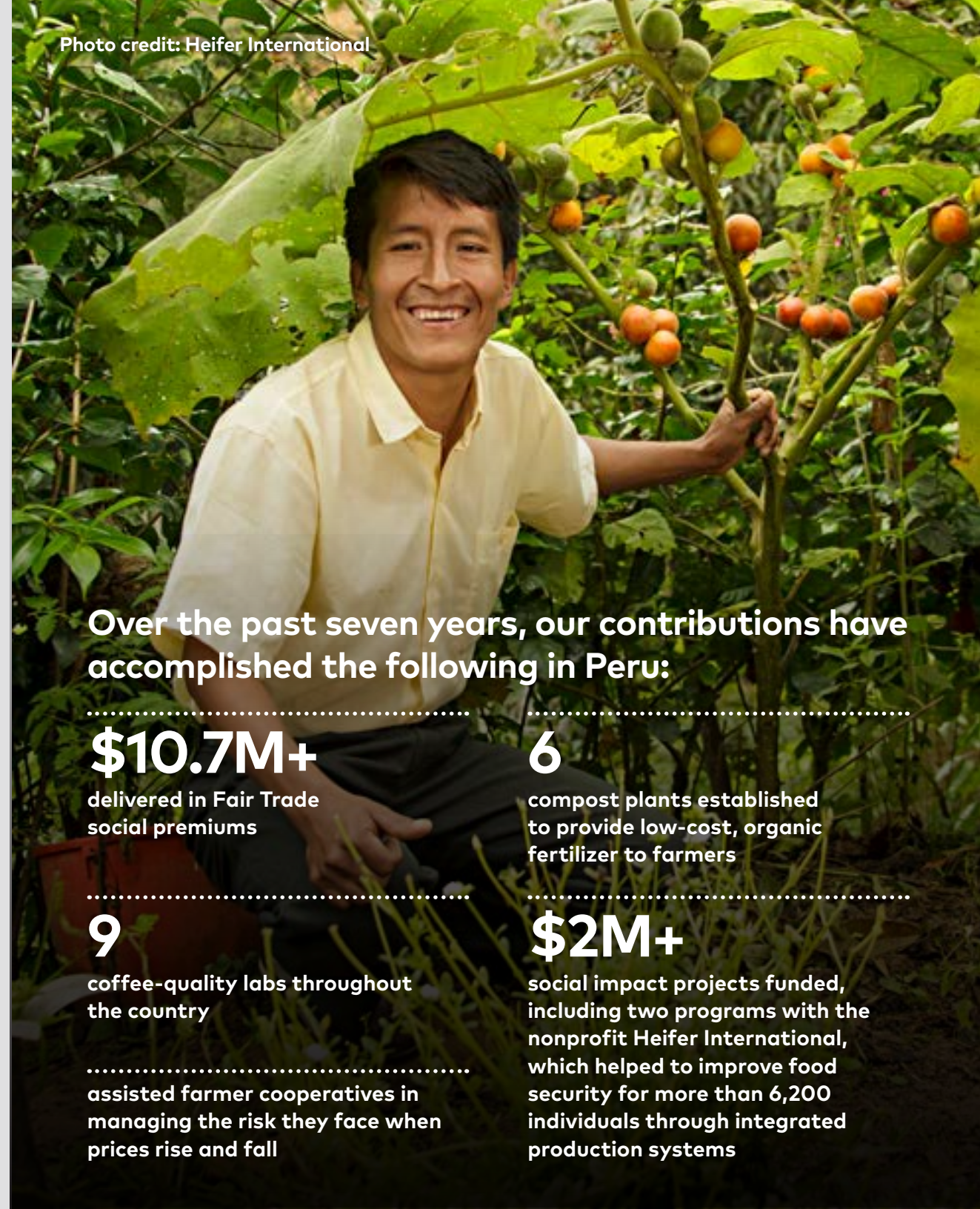
## PERU: THE EVOLUTION OF A COFFEE ORIGIN

In partnering for mutual success, we've found that long-term commitments often yield the best results. This is very true in Peru, an important coffee origin for Keurig. Our investments, and the "Relationship Coffee" model pioneered by our supplier Sustainable Harvest, which seeks to link farmers and consumers more closely, have benefited farming communities. They've also sustained our ability to offer our consumers excellent products.

As a result of these investments, suppliers in Peru are skilled at meeting our expectations for quality, and we can count on them to deliver coffee for many of our best-selling products. In fact, Peruvian coffee regularly makes up a significant portion of our entire Fair Trade organic coffee supply.

When the devastation of *la roya* hit Peru, we noticed the impact was less severe in regions with strong agronomy support and access to programs through projects we funded. Our investments have created a greater ability among Peruvian farmers to withstand volatile prices in the global coffee market. Peru offers a true example of a win-win situation, demonstrating how supply chain investments can benefit not only farmer livelihoods but also our Company.

Photo credit: Heifer International



Over the past seven years, our contributions have accomplished the following in Peru:

**\$10.7M+**

delivered in Fair Trade social premiums

**6**

compost plants established to provide low-cost, organic fertilizer to farmers

**9**

coffee-quality labs throughout the country

**\$2M+**

social impact projects funded, including two programs with the nonprofit Heifer International, which helped to improve food security for more than 6,200 individuals through integrated production systems



## Sourcing Responsibly



### 2020 target

Source 100% of primary agricultural and manufactured products according to established Keurig Green Mountain Responsible Sourcing Supplier Guidelines.

By sourcing responsibly, companies can improve their suppliers' performance and working conditions while simultaneously benefitting their own business. Our Responsible Sourcing Supplier Guidelines were first developed in 2007 to promote social and environmental responsibility and respectful working conditions in our supply chain.

In early 2014, we released an updated version of the guidelines that includes more definition around our expectations regarding migrant workers, child labor, business integrity, the rights of indigenous people, and raw material sourcing (including conflict minerals). The guidelines, which are posted on [our website](#), are applicable to all of the Company's varied supply chains, from beverage ingredients to electronics, and are informed by international standards. They detail Keurig Green Mountain's commitments and responsibilities and clearly communicate our suppliers' responsibilities for conducting business and managing their workforces.

By applying these guidelines to all of our suppliers, we strive to create environments where all people are treated with fairness, dignity, and respect; where the natural environment is protected and restored through business operations; and where suppliers are in compliance with all applicable laws and regulations.

We have committed to sourcing 100% of our primary agricultural and manufactured products according to our guidelines. In doing so, we believe we can build even greater resiliency in our supply chains.

We want to be sure that suppliers fully understand our guidelines and how to align their practices so they are in accordance with relevant laws and internationally recognized standards related to employment and environment, health, and safety. We shared the guidelines first with our most important direct manufacturing and agricultural suppliers, who have begun the work of cascading them to their own employees and further down through their own supply chains. To facilitate this, the guidelines are available in English, Spanish, French, and simplified Chinese, representing the majority languages in our supply chain. We shared the guidelines in various ways, including presentations at the Company's [International Manufacturing Summit and top 100 supplier conference](#).

In fiscal 2015, we also began asking our suppliers to read, acknowledge, and agree to adhere to our guidelines via our





own Sustainability Performance Management System. We are also building understanding of the guidelines among Keurig employees beyond the Company's responsible sourcing department.

The guidelines provide detailed expectations in each of these areas:

- Business integrity and legal compliance
- Grievance mechanisms
- Rights of indigenous people
- Freely chosen employment
- Child labor
- Wages and benefits
- Hours of work
- Freedom of association and collective bargaining
- Freedom from discrimination and abuse
- Health and safety
- Environmental responsibility
- Raw material sourcing and conflict minerals
- Animal testing

### Raw Materials Sourcing & Conflict Minerals

Keurig has adopted a policy relating to [conflict minerals](#) in our Responsible Sourcing Supplier Guidelines, which is available on [our website](#).

Keurig Green Mountain and our subsidiaries are committed

to sourcing components and materials from companies that share our values regarding respect for human rights, ethics, and environmental responsibility. In 2014, we began submitting yearly conflict minerals reports to the U.S. Securities and Exchange Commission (SEC). Suppliers are expected to comply with all applicable local, country, and international laws regarding content for the materials they supply us. At our request, suppliers are also expected to provide reports on the occurrence of substances in any materials they supply to us that may be restricted by, or require disclosure to, governmental bodies, customers, and/or recyclers. For more information, please see our most recent [conflict minerals report](#) on our website.

### Supplier Assessments

We aim to regularly assess key suppliers to determine whether they're measuring up to our responsible sourcing expectations. Our assessments, alongside other types of supplier engagements, will help us reach our 2020 targets and deepen the impact we can make in the supply chain.

Assessments focus on three areas: employment practices — including respect for human rights — health and safety, and environmental responsibility. These assessments provide us with a snapshot of our suppliers' management approach,

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## SUPPLIER RELATIONSHIP MANAGEMENT PROGRAM

Relationships with suppliers are critical to communicating our Responsible Sourcing Supplier Guidelines and meeting our high standards for quality, safety, and social and environmental responsibility. Our Supplier Relationship Management (SRM) program brings together employees from across Keurig, from appliance engineering to operations to quality, in order to holistically manage our relationships with suppliers. The program, which includes responsible sourcing, allows for comprehensive business evaluation of suppliers and gives each internal department a voice in deciding who does business with Keurig. The continued integration of our Responsible Sourcing program with the SRM program will be critical to achieving our 2020 responsible sourcing target.

their business operations, and their workforce, in the context of the local laws and regulations in the countries in which they operate. With this insight, we get a high-level understanding of the best practices our suppliers have implemented within our areas of focus and challenges they might face that could impede them from meeting our expectations.

If suppliers fall short of our expectations, we work closely with them to identify the root causes of any shortcomings and to develop plans to correct and prevent them in the future.

### Supplier Capability Building Investments

In addition to assessments, Keurig invests in projects that support our suppliers so they can meet and exceed our guidelines. These investments are an important tool through which we collaborate with suppliers to improve performance and also to think creatively about how to solve problems in new ways. These investments offer an opportunity to look beyond assessments and achieve a deeper level of impact than would be otherwise possible. See our [case study on Guatemala](#) for an example of such an investment in our coffee supply chain.

### Farm Identified

As simple as it may sound to know the source of your products, the reality is that supply chain transparency and product traceability are sizable challenges for any company. Keurig relies on several strategies to achieve these aims in our coffee supply chain. One important approach is our purchase of coffee certified by third parties such as Fair Trade USA, Fairtrade International, and Rainforest Alliance. In fiscal 2015, we benchmarked our own guidelines against the standards of relevant certifications to understand whether we could accept them in lieu of our own due

diligence, thus helping us meet our 2020 sourcing target. For non-certified coffee purchases, our Farm Identified (Farm ID) traceability program provides another way we can engage and collaborate with our supply chain partners to trace non-certified commodities.

When we know who produces our coffee, we are one step closer to knowing how they produce it. That insight enables us to better assess our suppliers and to make more informed purchasing decisions as we strive to meet our sustainability targets. It also provides useful input for risk assessments, and in fiscal 2015, we used it increasingly for this purpose. We performed our first agricultural third party assessments in Colombia in November 2015 and, looking ahead, we will use Farm ID as a proactive tool to identify coffee supply chains for potential third-party assessment.

While our Farm ID program aims to achieve traceability down to the farm level for all purchases, we continue to work with our supply chain partners who cannot yet provide that level of traceability. This means that some Farm ID supply chains achieve an interim level of traceability, such as to the level of a specific mill or exporter's buying region, rather than to an individual farm. We expect to improve this over time as both our, and the industry's, data tracking capability matures.

### Tracking Our Progress

In fiscal 2015, we continued to advance our internal systems and processes to measure and track our progress against our responsible sourcing targets for both our agricultural and manufacturing supply chains.

Our sourcing of third-party certified coffees are important to the achievement of our target. We benchmarked the third-

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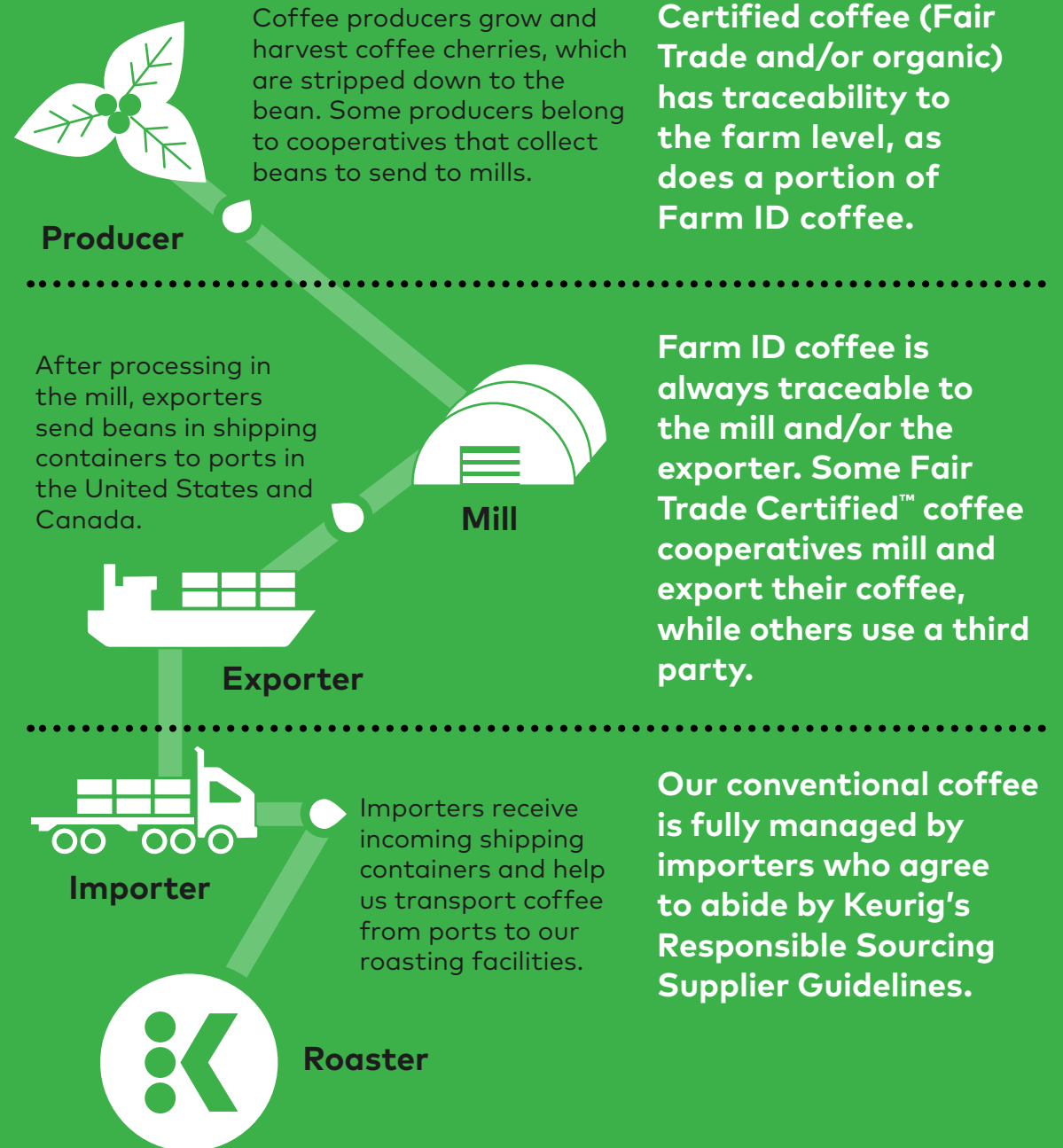
party certifications against our Responsible Sourcing Supplier Guidelines and determined both Fair Trade and Rainforest Alliance certifications to be fully acceptable. Thus, we can count these purchases toward our 2020 target. In fiscal 2015, 23%, or more than 56 million pounds, of coffee purchased was certified through these two frameworks. We have purchased Fair Trade Certified™ coffee since 2000. In fiscal 2015, we purchased more than 43 million pounds of Fair Trade coffee, delivering close to \$9 million in community development premium funds for coffee farmers and their families. In fiscal 2015, we purchased close to 13 million pounds of coffee from Rainforest Alliance Certified™ farms.

We take pride in the long relationships we develop with our suppliers. As of fiscal 2015, 84% of our Fair Trade Certified™ coffee for our U.S. market came from co-ops from whom we've sourced for at least five years.

In fiscal 2015, 68% of all U.S. coffee pounds purchased were traceable<sup>1</sup>, a 4% increase over fiscal 2014. Our Farm ID purchases are a critical first step toward transparency and traceability for non-certified purchases, allowing us to conduct our own due diligence against our guidelines and to ultimately determine which purchases can count toward our 2020 target.

<sup>1</sup>Via certifications and our Farm ID program.

## Tracing Coffee Throughout Our Supply Chain



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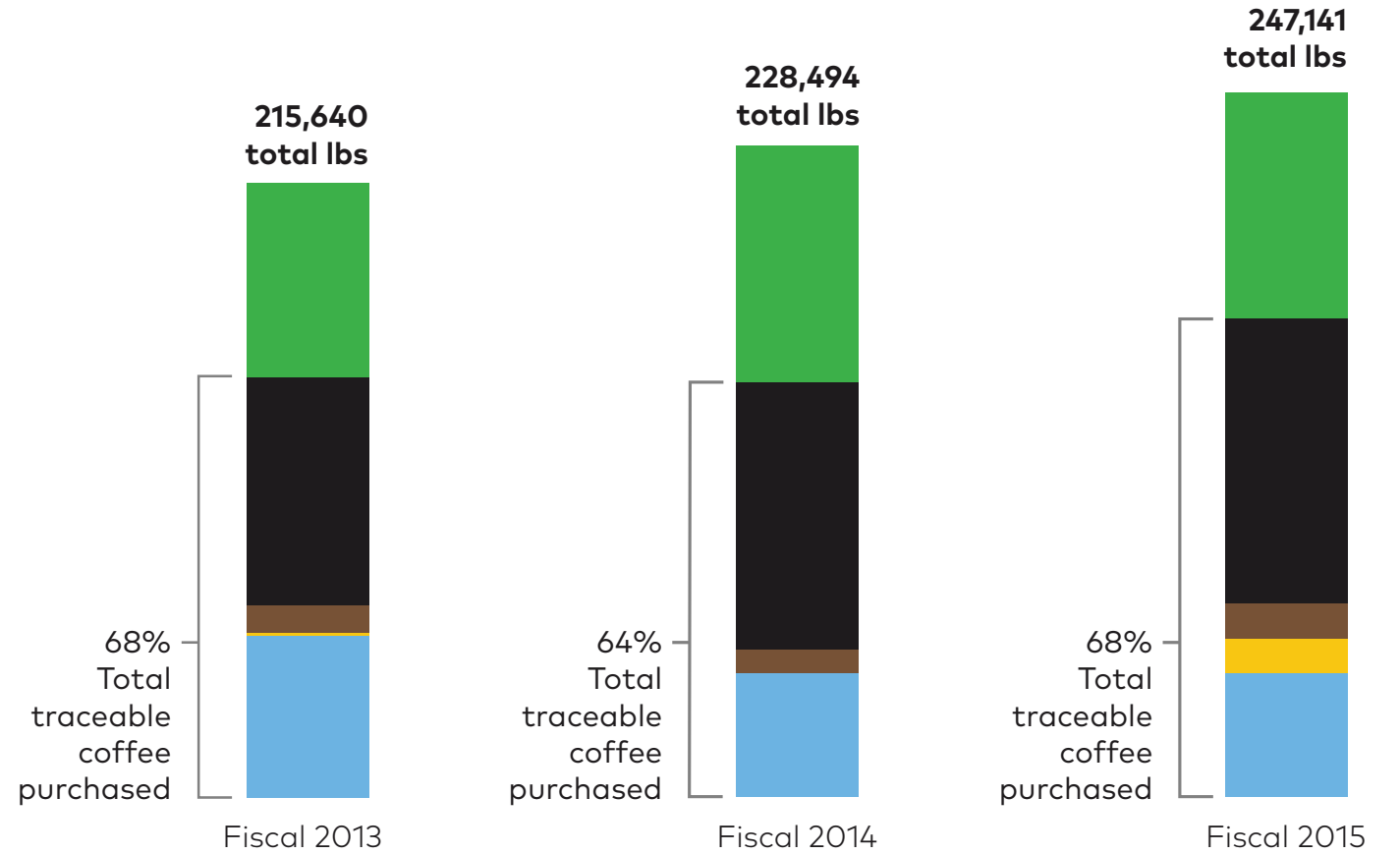
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COFFEE SOURCED (THOUSANDS OF LBS)\*\*



Conventionally Sourced	68,224	82,850	79,029
Farm Identified (no certification)	79,941	93,910	99,900
Rainforest Alliance Certified™	10,591	8,335	12,726
All Organic Certified (no other certification)	42	0	12,081
All Fair Trade Certified™	56,843	43,399	43,404

\* Total traceable coffee pounds purchased includes all certified coffee pounds purchased as well as pounds purchased from identified farm sources without certification.

\*\* Any discrepancies are due to rounding.



## Collaboration

### CAPABILITY BUILDING IN GUATEMALA

Central America is a key region of the coffee bean belt and therefore important to the entire coffee industry. Each year during coffee-harvesting season, workers in Central America migrate within their countries and across the region, seeking employment that often provides a large portion of their income for the remainder of the year. In Guatemala in particular, a large proportion of coffee workers are hired on a temporary basis through brokers or contractors who act as middlemen, negotiating employment terms with coffee farms, primarily medium to large estates.

Though migrant workers may be going to these farms voluntarily, the conditions they face in transit and upon arrival can be much different than what workers expected, with significant risks of exploitation, abuse, and underpayment.

Research conducted by Verité, a nonprofit organization focused on labor conditions, found the existence of a large number of indicators of forced labor on Guatemalan coffee farms, with labor brokers holding a great deal of power over workers. The main findings included physical confinement to a work location, induced indebtedness, deception about the terms of work, withholding of wages, and the retention of identity documents. In addition, the research found that females, indigenous workers, temporary workers, and workers who had been recruited through a labor broker were more vulnerable to exploitation.

In response, Verité partnered first with Keurig Green Mountain, and then additionally with the State Department, to investigate the labor recruitment process for opportunities to protect workers'



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human rights and increase transparency. Slated to last two years, the project began in 2015 with extensive primary research, including interviews of 450 migrant coffee workers in Guatemala, to understand workers' experiences with labor brokers, as well as workers' needs. On-the-ground project activities are being carried out by Verité's long-term partner, REACH (Research-Education-Action-Change), a Guatemalan nongovernmental organization.

Exploitive practices associated with labor brokers are not tolerated under our Responsible Sourcing Supplier Guidelines, and our work with Verité is designed to gain a deeper understanding of the systemic issues that can arise in our supply chain. The project aims to provide tools to coffee workers, producers, and traders while simultaneously driving behavior change among labor brokers by incentivizing those who conduct business ethically. To support coffee workers, this program is developing a Grievance Reporting Information and Dissemination System (GRID), which will provide workers with an outlet to report unethical recruitment practices, as well as information about their labor rights.

Quinn Kepes, program director at Verité, said the researchers took special care to understand workers' needs, including their levels of technology literacy and the types of information that could empower them, such as laws around minimum wage and working hours. "We expect GRID to truly help workers because the vast majority of those interviewed said they would use this type of grievance tool," he said.

Keurig committed \$200,000 in funding over two years for the project, which will also create a supply chain map with data to help flag potentially unethical labor practices to companies interested in improving transparency in their supply chains. Informed by this data, Keurig can then conduct more targeted assessments of supply chain

partners in Guatemala so we can identify where there may be labor practices that violate our sourcing guidelines in our supply chain and then work collaboratively with suppliers to eliminate them. Looking ahead, we hope to apply learnings and tools from this project to other coffee-growing communities in our supply chain.

Perhaps surprisingly, migrant workers are often smallholder farmers themselves, moving around to seek work beyond what their own farms can provide. We recognize that improving livelihoods at home makes smallholder farmers less vulnerable and more empowered. Thus, we support improving livelihoods in the coffee-farming communities that are sending out migrant workers. For example, Keurig supports the Innovative Market Alliances for Rural Entrepreneurs (IMARE) program at two Fair Trade co-ops in the western highlands of Guatemala, in the El Quiché and Huehuetenango departments. The program supports farmers in the recovery from *la roya*, especially with the challenges of food insecurity and coffee management. For instance, the farmers are supported in renovating coffee plantations and creating nurseries for coffee rust-resistant varieties.

*"We now know that there are alternatives to fight coffee leaf rust. This is great news! I was desperate due to the severe reduction of my coffee production, caused by the rust disease."*

— JUAN RAYMUNDO CÓRDOVA, coffee farmer, participant in Mercy Corps' Innovative Market Alliance for Rural Entrepreneurs program, Guatemala

## Manufacturing Summits

Since 2012, Keurig has hosted annual International Manufacturing Summits for our Asian appliance-manufacturing partners. Through these summits, we connect on important topics, including our Responsible Sourcing Supplier Guidelines, product quality, and new technologies to help manufacturers build our Keurig® appliances. Suppliers also share their successes, challenges, and best practices. Together, we are able to collectively advance manufacturing innovations and responsible sourcing best practices. We're proud that these summits take place: It's rare to see suppliers share this kind of information, especially in the competitive Asian marketplace.

During our manufacturing summit in November 2014, multiple roundtable sessions were held with our suppliers, facilitated by the Center for Child Rights and Corporate Social Responsibility, a Chinese firm that helps companies improve the lives of migrant workers and children of factory workers. Topics discussed included young workers and frontline managers in the Chinese supply chain.

With each summit, our suppliers have become increasingly comfortable sharing what they might otherwise regard as trade secrets, offering to us and to their industry peers some of the breakthroughs they have achieved over the past year, as well as detailing the challenges they face in their business relationships with Keurig Green Mountain.

In fiscal 2015, we introduced a new type of supplier event. We gathered the top 100 suppliers from throughout our supply chain based on the dollar amount we spend with them, how critical they are to our business, and their compatibility with our future strategy. Led by our procurement group, the event was a chance to launch our Supplier Relationship Management program (SRM), including our newly created SRM supplier scorecard. Responsible sourcing is one of the five key performance areas being measured within the scorecard. Additionally, our Chief Sustainability Officer presented to the suppliers discussing Keurig's sustainability strategy, targets, and initiatives.





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# Our People and Communities





Keurig Green Mountain employees are passionate about their work, enabling the success of our business while helping our Company brew a better world. We hire individuals with a value set that is aligned to our Company's. Once employed with us, they choose to stay with us because they want to contribute to our purpose, mission, and vision.



### 2020 target

Engage 100% of employees to understand our vision and values and present opportunities that allow them to contribute to our targets.

Thriving communities, meanwhile, support our business — and our business supports local communities. We aim to actively contribute to communities while empowering our employees to get involved and create positive change in the places where we do business around the world. Our volunteerism programs are foundational to our engagement strategy because they benefit our business, our employees, and the communities we call home. We believe that employees who volunteer are more committed to and engaged in their work. This ties directly to one of our 2020 sustainability targets: engage 100% of employees to understand our vision and values and present opportunities that allow them to contribute to our targets.

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**Our PURPOSE:** We create the ultimate beverage experience in every life we touch from source to cup – transforming the way the world understands business.

**Our MISSION:** A Keurig® brewer on every counter and a beverage for every occasion.

**Our VISION:** Become the world's leading personal beverage systems company.

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## LIVING OUR VALUES

A company's culture can be understood through its values, which help to articulate a common purpose while defining expectations and behaviors. To be meaningful, values must be authentic and resonate with employees at all levels of an organization. Our values, which were developed with input from employees across our organization, are embedded into our daily operations. They are as follows:

- **WE PARTNER FOR MUTUAL SUCCESS:** Our boundaryless approach to collaboration creates benefits for all.
- **WE INNOVATE WITH PASSION:** With courage and curiosity, we are shaping the future by redefining the consumer experience.
- **WE PLAY TO WIN:** Our team sets ambitious goals and meets each challenge with unified purpose and character.
- **WE BREW A BETTER WORLD:** We use the power of business to make the world a better place.

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## Supporting Our People

Our Company can only be successful with the engagement of our employees. We know that when people are engaged at work they are happier in their jobs, more successful in their careers, and make more meaningful contributions to our Company and to their communities. Put another way: Thriving people leads to a thriving business, which leads to thriving communities.

Employee engagement, including [volunteerism](#), has always been an essential element of our people strategy. It took on added importance when we tied it directly to one of our 2020 sustainability targets: to engage 100% of employees to understand our vision and values and present opportunities that allow them to contribute to our targets.

Regular employee feedback surveys tell us that our people are passionate about their workplace and communities and proud to be a part of Keurig. In fiscal 2015, we surveyed our team for the third year in a row using the Organizational Health Index (OHI). Approximately 81% of our employees participated — a significant increase from the 68% response rate the prior year. Of those, 79% affirmed that they are



able to bring the Company's mission, purpose, and values to life in their daily work. This is an increase of 7% from the prior year. Moreover, 74% of our employees said they believe employees as a whole understand and contribute to the achievement of Keurig Green Mountain's sustainability vision and targets.

### 2015 EMPLOYEE SURVEY RESULTS

79%

I am able to bring our company's mission, purpose, and values to life in my day-to-day work.

70%

Leaders at Keurig Green Mountain (including my boss) encourage and support employees to volunteer in their communities.

74%

Employees at Keurig Green Mountain understand and contribute to the achievement of the Company's sustainability vision and targets.



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## GOING BACK TO THE SOURCE

What is one of the best ways to engage employees and help them truly understand the full impact of our business? Take them back to the source — literally.

Each year, for more than two decades, our Company has sent groups of employees to coffee-farming communities. This experience shows them where our products come from and gives them a deeper connection to the process and the people who are involved at the very earliest stages of our value chain. The trips, which are typically described by employees as life changing, alter perspectives and broaden horizons in ways that pictures and videos cannot.

Hundreds of Keurig employees have participated in such trips, getting an opportunity to meet the individuals who produce our coffee. We choose employees from all functions, geographies, and levels of the Company, offering a chance to travel to the places where it all starts and to see how we, as a Company, are impacting individuals and livelihoods. In fiscal 2015, 71 employees visited coffee communities in five countries.

The trips also provide a unique opportunity for people from very different backgrounds — cultures, geographies, and lifestyles — to connect on a personal level, learning from each other about what it takes to create our products.

*"This trip impacted my whole life. It gave me a greater understanding of the coffee business from top to bottom. It was very humbling!"*

— **BARB GREENIA**, Material Handler, Williston, Vt.



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Keurig covers all trip expenses, including airfare, food, and lodging for the week. Recently, we further elevated the program by creating new opportunities for employees from across the Company interested in becoming source trip leaders. These opportunities, which require a few hours of work each week in the months leading up to the trips, give employees an opportunity to help plan meaningful itineraries, coordinate logistics, and develop their own leadership skills while creating a memorable and meaningful experience for others.

On a trip to Honduras in 2015, Martin Potvin, team lead for Van Houtte® Coffee Services in Montreal, and his colleagues visited a coffee producer who has been farming coffee for 30 years. They saw first-hand how much effort goes into growing and picking each bean. And they visited some of the projects that the Company supports to help farmers improve the quality of their coffee while improving their livelihoods.

Potvin was struck by the proud and generous farmers who shared their passions for coffee with him. "This trip has enabled me to better understand all the links that form the beginning of our supply chain," he said. "It has helped me grow in my role at Keurig."



*"I have a much better appreciation of the hard work and effort that goes into a cup of coffee. Knowing that Keurig Green Mountain sources coffee responsibly gives me greater pride in working here."*

— STEPHEN HINGSTON, Software Engineer II, Burlington, Mass.

*"This experience has completely changed my outlook on drinking coffee. Given the amount of work that goes into one cup of coffee, I will savor each cup in a way I never thought I would."*

— CHANTAL BOURQUE, Accounts Receivable Technician, Montreal



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## Volunteerism

Employees often cite volunteerism as a cornerstone of our Company's culture and a meaningful part of their work. Our Community Action For Employees program — better known as CAFE — entitles every full-time Keurig employee to 52 paid volunteer hours annually.

In fiscal 2015, 55% of our total workforce — based on the average number of full-time employees for the year — participated in one of our volunteer programs, for a total of more than 62,000 hours volunteered. That was an increase from 51% employee participation the previous year; our operations in Canada saw an increase of 11%, moving from 20% in fiscal 2014 to 31% in fiscal 2015. This increase is primarily due to the launch of our [CAFE Lead](#) employee ambassador program.

We're proud that so many of our employees choose to participate in our Company's volunteer efforts. While 60% of companies offer paid employee volunteer time, the average rate of participation in such programs is just 30%.<sup>1</sup>

Our employees volunteer their time for a wide range of activities that are meaningful to them, from cleaning up beaches and rivers, to planting gardens, to organizing and distributing food at food banks. Many employees volunteer on projects supported by the Company through community investments and product donations, resulting in multi-faceted relationships with local nonprofit organizations. Some of these projects are crafted to align with our sustainability programs to increase awareness and participation in core areas, such as our commitment to water stewardship. In fiscal 2015, we held water-related



EMPLOYEE VOLUNTEERISM	FISCAL 2013	FISCAL 2014	FISCAL 2015
Total hours volunteered	64,250	57,755	62,031
Average hours volunteered per full-time employee	11.0	9.4	9.8
Employees volunteering (as a percentage of average full-time employees)	62.0%	51.2%	55.0%
Total spend on volunteerism programs (in millions)	\$1.40	\$1.25	\$1.45

<sup>1</sup> 2015 survey of 271 companies by the [Committee to Encourage Corporate Philanthropy](#).



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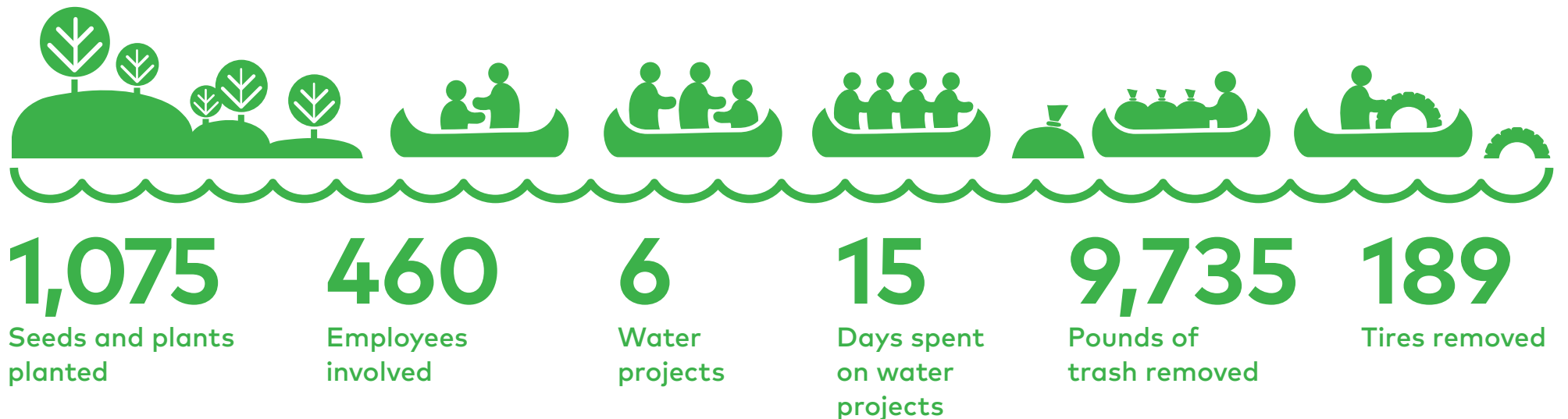
volunteerism events at six of our sites, ranging from watershed restoration, such as planting trees and shrubs, to river cleanups. In total, we contributed nearly 2,000 hours of paid volunteer time for restoring local waterways and shores.

Partnering for mutual success is key to our volunteerism efforts. American Rivers continues to be our long-standing partner for all our watershed and river cleanup events. We also partner with local nonprofits. For example, during a two-day cleanup around the Merrimack River in Massachusetts, Clean River Project offered boats and a crane to help retrieve larger items, such as a car axle. Thirty-seven Keurig employees encountered a rainy morning and a snapping turtle, but that didn't stop them from removing more than 2,200 pounds of trash from the Merrimack River.

*"Keurig has been a valued supporter of American Rivers for close to a decade. By supporting river cleanups and river restoration projects across the country, as well as films and other public education efforts, Keurig has made a significant difference for rivers and clean water nationwide. We are grateful for their longstanding and collaborative partnership."*

— CHRIS WILLIAMS, Senior Vice President, American Rivers

## WATER RESTORATION EVENTS



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## Supporting Employee Community Engagement

We want to make sure employees understand how they can get involved with their communities. In Canada, we foster employee volunteerism through our CAFE Lead program. Employees across all departments and major sites across the country are elected and trained to serve as ambassadors for our community relations and volunteerism efforts, encouraging their colleagues to get involved. To ensure that CAFE Leads are allocated the time out of their busy workdays to coordinate volunteerism opportunities, we include the role in performance plans. This means that CAFE Leads not only get to share their enthusiasm for volunteerism with colleagues and facilitate strong connections with the community, but they can also see benefits to their careers. The role is part of their official job duties and enables leadership development.

Another component of our volunteerism programming, Dollars-4-Doers, recognizes employees who volunteer at least 25 hours per year (outside of normal work time)

with one organization. Keurig contributes \$250 to that organization on the employee's behalf. We also match individual employee donations to charitable organizations at 100% (up to \$1,000 per fiscal year) and provide employees with sponsorships for activity-based fundraising events. In fiscal 2015, we contributed more than \$200,000 through these programs.

### Community Sponsorships

We work to connect our community sponsorships with our employee volunteerism opportunities. We believe this creates a more holistic experience of service for both our employees and our communities.

In Montreal, for example, we sponsored FALLA, a festival for families put on by TOHU, a nonprofit performing arts center, to celebrate the convergence between culture, environment, and community. As official coffee supplier of the festival, we provided coffee for FALLA's on-site café and had employees volunteer to support a variety of festival activities.

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## VERMONT WORKS FOR WOMEN

Keurig employees are encouraged to volunteer in ways that leverage their professional expertise. Take, for instance, Judy Mirro, an Environmental Compliance Specialist, who has long volunteered for Vermont Works for Women, a nonprofit that helps women and girls recognize their potential and explore, pursue, and excel in work that leads to economic independence. In the summer of 2015, Mirro partnered with colleague Melissa Gorham, a Sensory Technology Technician, to share the concept of sensory testing with a group of middle-school girls participating in the nonprofit's day camp program, Rosie's Girls. Guided by Mirro and Gorham, the girls explored how they can engage all five senses to evaluate products and tried their hands at a real-world example with Keurig products.

Additionally, in Knoxville, Tenn. and at our Vermont sites, we supported programs that serve children experiencing food insecurity by sending them home from school with food each Friday, nourishing the children over the weekend when they cannot benefit from federally sponsored school meals. In addition to providing financial support, our employees volunteered by preparing food donations for distribution.

*“Volunteering allows employees to make a noticeable and measureable impact. I’m proud to work for a company that allows us to volunteer. Being a CAFE Lead allows me to help find volunteer opportunities and learn about my colleagues in a unique setting away from work, all while making a difference in our world.”*

— **MARIAN THOMPSON**, Territory Manager, Van Houtte Coffee Service, Saskatoon, Canada

## ALI ET LES PRINCES DE LA RUE

We seek opportunities to meet the unique needs of our local communities. Keurig Canada supports Ali et les Princes de la Rue (“Ali and the Princes of the Street” in English), a Quebec nonprofit dedicated to helping youth, ages 16 – 25, obtain their high school diploma while studying martial arts. Keurig Canada donated a CA\$10,000 grant to support a portion of the salary of an employee working directly with the youth. In addition to this grant, Keurig Canada developed a three-month program in which employees trained alongside Ali et les Princes de la Rue youth in preparation for a Spartan Race obstacle course in May 2015. In celebration of the big day, Keurig Canada President Stéphane Glorieux announced a donation of another CA\$6,000 to Ali et les Princes de la Rue, which came from employee donations and a Company matching program. “True partnerships were created among the employees and youth,” said Delphine Acoca, Keurig’s Community Relations Lead, North America. “Everyone had an extraordinary experience, and we are continuing the relationship beyond the Spartan Race.” To that end, in



September 2015, Keurig Canada committed to an ongoing program bringing Ali et les Princes de la Rue participants together with employees for more training and relationship building.



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## Product Donations

Product donations are an important part of our Company's support of our communities. We offer in-kind donations of brewers and beverages to nonprofit, community, and municipal organizations within our operating regions. We also work closely with food banks and other organizations to ensure excess inventory goes to good use. This ties to our 2020 target of achieving zero waste-to-landfill at our manufacturing and distribution facilities. By partnering with food banks, like Food Banks Canada and Feeding America, we can avoid sending excess product to landfill and strengthen connections with local communities.

In fiscal 2015, we continued our relationship with Holy Joe's Café, which sets up cafés on military bases in combat zones and keeps them stocked with coffee. We began partnering with the nonprofit organization in 2007 and have since provided thousands of pounds of coffee to U.S. bases to be served at Holy Joe's Cafés and military hospitals. In fiscal 2016, Keurig provided 4,312 pallets of product, or approximately 38 million K-Cup® pods, to bases in 46 different countries served by Holy Joe's Cafés.



## FISCAL 2015 PRODUCT DONATIONS

**\$205k**

In donated products  
(cost of goods sold)



**+1,100**

Brewers donated



**+1,300**

Organizations supported

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## Working at Keurig

We seek to empower our people so they feel valued at work and so they can develop and advance their careers. We invest in our employees with a robust suite of learning and development programs that enable personal and professional growth while contributing to the overall goals of our business. These programs are one of many reasons why our employees enjoy working for — and stay working at — our Company. Our strong retention rate has hovered around 90% since fiscal 2007.

Our leadership development programs build upon the skills that are necessary to achieve our purpose, mission, and vision. One series of learning experiences, for example, is designed to build business insight, enhance marketplace expertise, and improve leadership and technical skills. Another leadership program — aimed at both new and current employees — immerses individuals in all aspects of our business, from how our products work to how we make money. These programs are aimed at growing future leaders who can build a stronger Keurig Green Mountain.

In fiscal 2015, we completed the development of a new performance management and goal-setting process and a career development approach to help hourly and salaried employees better plan, align, and evaluate their work — and

better chart their future career paths. We want to develop our people with purpose and in alignment with our values, so they can make the most of their careers at our Company. We streamlined and simplified the goal-setting process to keep our employees focused on the elements of their jobs that matter most, both to them as individuals and to our Company as a whole. We began training managers on the new approach in fiscal 2015 with an eye toward rolling the programs out in early fiscal year 2016.

The new tools demonstrate our commitment to our employees and to the Keurig culture. They are designed to help our Company and our people succeed together.

### Compensation and Benefits

Happy and healthy employees lead to more productive employees. We are proud to offer a competitive compensation and benefits package for our workforce and their families. A rich and diverse benefits program is critical to ongoing employee engagement and is an important tool for attracting and retaining talented individuals. We focus on programs that improve personal, professional, physical, and financial wellness, enhancing the overall health and well-being of our employees — and thereby improving the health of our Company as a whole.

In addition to our competitive base pay program, we offer

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### A DIFFICULT DECISION

In the summer of 2015, we made the difficult decision to streamline our workforce, resulting in a reduction of approximately 5% of our global workforce. The changes were necessary to ensure a thriving and sustaining business going forward. We supported those who were directly affected with generous severance packages, extended benefits, and outplacement support, including job fairs held at various Keurig Green Mountain locations.

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an incentive plan for all non-unionized employees. Incentive pay is determined considering Company performance goals and individual or team achievements. Our compensation programs and benefits plans are evaluated annually to ensure that our philosophy is aligned with our business strategies and that our total remuneration is competitive.

In the United States, we also have been focusing on a strategic well-being platform to help employees become more informed health consumers. We want our people to make healthier choices so they can thrive at work and at home. Small changes can add up to big differences.

## STEPPING OUT

In calendar 2015, 665 employees — up from about 420 the prior year — participated in a “Walk Across America” challenge. In teams ranging from four to 12 people, employees got moving to clock 1,500 miles or more as a team over a period of 10 weeks. In total, our people logged 156,000 miles from walking, running, and a host of other activities.

**665**  
Employees who  
participated in  
a “Walk Across  
America” challenge

**156k**  
Total miles logged

## OUR ROBUST BENEFITS INCLUDE

- health and well-being programs
- flexible spending accounts for health and dependent care
- back-up child and adult/elder care services (added in 2016)
- employee assistance programs
- retirement savings plan with company match
- energy-efficient home incentive programs
- disability programs
- paid time off
- parental leave
- educational assistance and scholarship programs for employee dependents
- adoption assistance
- beverage benefit and product discounts
- matching donations



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Our internal wellness platform encourages employees to complete wellness assessments, develop health targets, participate in challenges, and become more physically active. The idea is to create one central location where employees can engage with each other and work toward achieving wellness goals that are meaningful to them. To encourage participation, we award points to employees for completing various aspects of the wellness platform, including on-site health screenings for blood pressure, cholesterol, and other health indices. Additional incentive awards, such as discounts on health care premiums, encourage participation.

In fiscal 2015, we also used the wellness platform to focus on financial well-being, partnering with Fidelity Investments to provide access to articles, webinars, and other resources on improving financial health. In January 2015, for example, we focused on credit card debt — an important topic for many people after end-of-year holiday spending.

Ultimately, we hope to be able to measure and monitor the benefits programs that our employees are using so we can better understand which programs work — and which don't. For example, we have been encouraging annual preventive exams. Will these visits lead to reduced diagnoses of health problems such as diabetes and heart disease? It's too soon to tell. But we'll be evaluating employee data in the coming years to see if we can pinpoint any cause and effect.

## Diversity and Inclusion

Keurig fosters a diverse and inclusive environment, recognizing that diversity strengthens our business. Diversity leads to a more vibrant workplace, richer interactions, and ultimately a better business model. We provide equal employment opportunities to all qualified people regardless of ethnicity, religion, gender, age, marital/civil union status, sexual orientation, veteran status, disability, or other legally protected classification. As a signatory to the United Nations Global Compact, we strive to uphold the elimination of discrimination in respect of employment and occupation. In fiscal 2015, U.S. employees self-identifying as minority made up 11% of management and 23% of our total workforce. Women made up 34% of management and 37% of employees overall. In fiscal 2015, our 11-member Board of Directors included three women.

DIVERSITY	FISCAL 2013	FISCAL 2014	FISCAL 2015
Women in management	37%	36%	34%
Women in workforce	36%	37%	37%
People of color in management*	9%	9%	11%
People of color in workforce*	18%	20%	23%

\* United States only.

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## Health and Safety

Employee safety is one of our top priorities, and we have been working hard in recent years to improve our systems and processes so we can further reduce the rate of on-the-job injuries and accidents. We have had tremendous success — and have set an even higher bar for our Company.

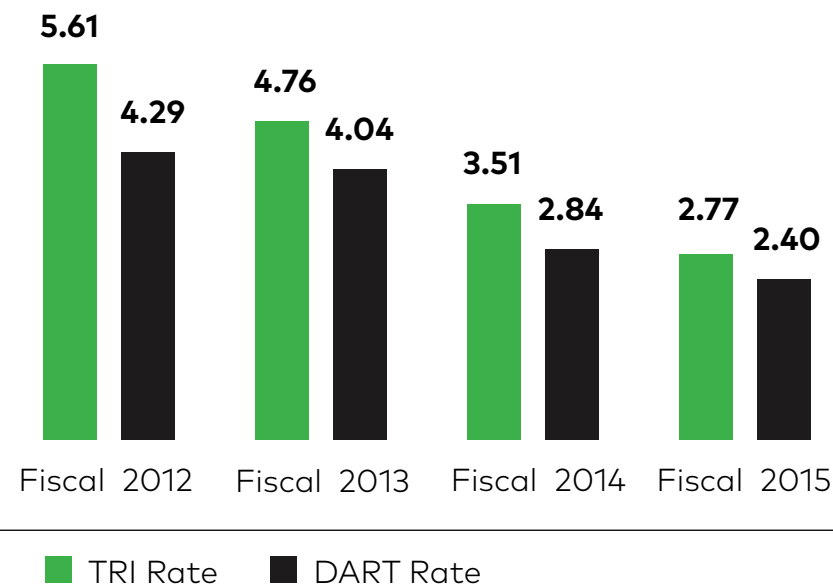
Since fiscal 2013, we have seen a 42% reduction in the Total Recordable Incident (TRI) rate that we report to the U.S. Occupational Safety and Health Administration (OSHA). Our Days Away Restricted or Transferred (DART) rate has fallen by a substantial 44%. For several years, we aimed to have our manufacturing plants obtain injury incidence rates below the industry average. But we no longer felt that our target was ambitious enough. So in fiscal 2014, we set a new target to reach what is considered world-class safety standards, with injury rates of 1.0 for TRI and 0.5 for DART by 2020.

Fostering a culture of safe behavior is a critical element of our program and will be a continued emphasis as we push toward our world-class target.

We reinforce that employees have responsibility for their own safety and that of their co-workers. Our safety aspiration emphasizes empowerment, collaboration, accountability, and improvement. Our three-pronged approach focuses on behavioral improvements, engineering solutions, and compliance. But it's the cultural component that we believe has had the biggest impact to date.

Our behavioral safety observational programs reinforce positive behaviors and provide constructive feedback for those who stray from our strict safety protocols. By working proactively, we hope to address unsafe behaviors before they become problems. During fiscal 2015, more than 31,000

### NORTH AMERICAN MANUFACTURING SAFETY JOURNEY



EMPLOYEE SAFETY*	FISCAL 2013	FISCAL 2014	FISCAL 2015
Injury severity (Days Away Restricted or Transferred, DART) rate	2.64	1.93	1.52
Incidence frequency (Total Recordable Incidence, TRI) rate	3.31	2.58	1.87
Industry DART rate (coffee and tea)**	1.8	2.4	N/A
Industry TRI rate**	3.1	3.7	N/A
Occupational fatalities	0	0	0

\* Includes all company data for manufacturing and non-manufacturing sites.

\*\* Industry data for 2015 were not yet available at time of publication.

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safety observations were conducted by supervisors as part of the Supervisory Behavioral Safety Observation program. Peer-to-peer observations, performed by hourly employees on a rotational basis at all of our manufacturing sites, help to improve accountability and leadership on safety issues (See case study on the next page). We want our employees to be able to tell each other when they are performing unsafe tasks – or, on the flip side, to praise each other when they have taken steps to improve safety for themselves or for others.

### Health and Safety Management

As we continue to build and strengthen the Keurig safety culture, we recognize and celebrate how our actions protect not only ourselves and our co-workers, but also our families, communities, customers, businesses, and the planet itself.

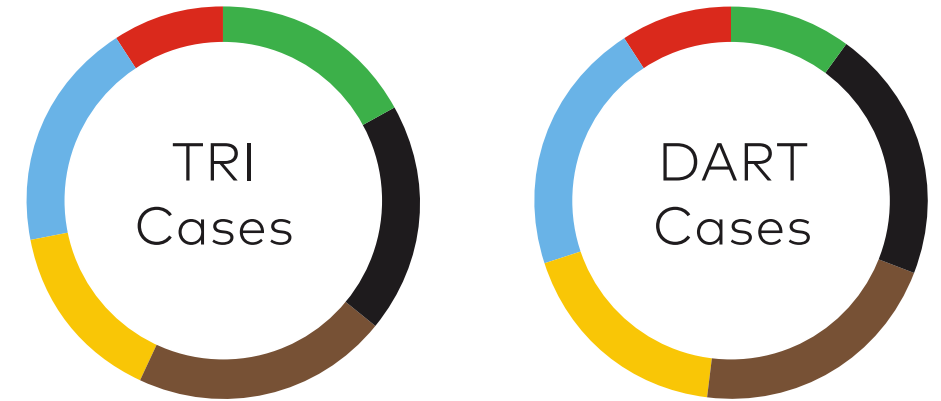
In fiscal 2015, we merged our environmental and safety teams. A natural outcome of this was to reorganize our facility-wide Safety Council to become the Environmental Health & Safety (EH&S) Council for manufacturing.

### KEURIG GREEN MOUNTAIN SAFETY ASPIRATION

We aspire to make Keurig Green Mountain one of the world’s safest places to work. We follow safe practices and seek out, learn, and adopt new ways to improve the safety of our processes, ourselves, and others. To accomplish this, we empower and encourage each other to take the following actions:

- Serve as role models for safe behavior
- Be proactive and caring in engaging our co-workers and others about safety
- Hold each other accountable for safety commitments.

### NORTH AMERICAN MANUFACTURING INJURIES BY TYPE FISCAL 2015



	TRI Cases	DART Cases
Struck Against	17%	10%
Slips, Trips, and Falls	19%	21%
Other	21%	21%
Lift/Lower	15%	18%
Push, Pull, Twist	19%	21%
Caught in, Under, Between	9%	9%

This group now sets strategy for our safety and environmental programs, allowing us to look at people safety and environmental safety through one lens. The EH&S Council, which is comprised of about 50 members from all facets and levels of our operations, including senior management, plant directors, and other safety professionals, meets quarterly.

We have close to 30 EH&S professionals who work closely with each manufacturing site to train staff and implement new strategies. In addition to the facility-wide EH&S Council,



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each manufacturing site has an EH&S steering team and safety committee to drive safety improvements. Safety is a component of our performance management goals for all manufacturing employees.

All new employees receive training on safety basics. Employees who work at one of our manufacturing sites tour a manufacturing plant and receive in-depth training specific to their work environment. Supervisors go through a Safety Observation program that focuses on observation and feedback. The course sets clear expectations on the feedback process from supervisor to employee so we can improve safety at our Company. Another new program we have implemented offers a library of more than 250 courses that contain safety and quality training for our U.S. and Canadian employees.

In fiscal 2015, our people logged approximately 110,000 hours in safety training. We accomplished this through a dynamic safety training platform that provides a platform for industry standard and custom company application education,

training, and testing on workplace, food, and environmental safety.

We have been especially focused on ergonomics and engineering. In recent years, Keurig has invested approximately \$12 million on projects targeting safety throughout our pod manufacturing plants. Recent target areas have included building infrastructure enhancements, packaging and roasting equipment improvements, beverage flavor processing, ventilation, and suspended load management. Our current focus revolves around reducing ergonomic risks from repetitive motions.

All manufacturing site shifts are started with a mandatory work readiness stretch with a stated purpose of reducing the risk of injury. The stretching and work readiness program includes specifically designed stretching, breathing, and relaxation exercises to prepare the mind and body for work, increase body awareness, increase mental focus, and promote relaxation and renewal.

## WATCHING OUT FOR OUR PEERS

Ariana Middlemiss had been working as a machine operator at our Essex, Vt., manufacturing plant for a little more than a year when a supervisor recommended her for a special safety training program. Before she knew it, a group of her co-workers had nominated her to become the plant's first peer-to-peer safety facilitator.

Middlemiss admits she wasn't quite sure what she was signing up for when she agreed to take on the full-time facilitator role. She had gone through general safety training before, but this was far more detailed than anything she had done previously when it came to health and safety.



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"I went through a ton of information and workbooks," she said, nearly a full year after she took on the position. "It was overwhelming in the beginning because I wanted to make sure I really knew what I was getting into."

What she was getting into was a program we recently implemented across all of our facilities to improve safety accountability and leadership. The idea behind the program goes something like this: Employees who are empowered in safety have an opportunity to promote real and meaningful change, resulting in fewer workplace injuries.

As a facilitator, Middlemiss works with a safety steering team of co-workers at the Essex plant. Together, they train their colleagues to perform peer-to-peer observations of worker performance. The goal is to have one monthly observation for each of the plant's approximately 500 employees. Observations aren't meant to just point out negative behaviors that could put employees or others at risk. Observers are trained to equally praise employees for the safe actions they routinely take.

Either way, it's a "no name, no blame" process. Observations don't result in any disciplinary actions. They are truly aimed at promoting good behavior and encouraging dialogue.

On any given day, Middlemiss and the facilitators at our other manufacturing locations can be found coaching observations, crunching safety data, and making presentations on safety performance to Company leaders.

"I always say that my job is to set my co-workers up for success and to make sure that everyone feels safe and supported," she says.

Since the peer-to-peer program began in Essex in early 2014, the plant has seen a 45% improvement in the rate of injuries. Of the 14,000 safety conversations tallied in the first year of the program, only 1,000 were around at-risk behaviors.

Typically, the at-risk behaviors revolved around issues such as failing to walk in designated pedestrian paths, which creates risks for collisions with forklifts or other heavy equipment, or failing to keep "eyes on task," which sets an individual up for any number of potential injuries.

### A Passion for Safety

Elizabeth Derwort became the peer-to-peer facilitator of our Knoxville, Tenn., plant in April 2015, after being chosen by that facility's leadership team.

"I knew nothing about safety before, and now it's my passion," said the former Shipping Coordinator for the plant of 800 employees. "It's constantly on my mind, no matter where I am. All of the steering team here in Knoxville feel the same way. And it's become a part of our daily life not only at work but at home. I'm pretty sure it drives my family insane, but now they are paying more attention to safety too."

Both Middlemiss and Derwort agree that the peer-to-peer program was quickly accepted by coworkers at both plants, with very little hesitation. Unlike safety observations conducted by supervisors, the peer-to-peer conversations create a feeling of camaraderie — a sense that employees are looking out for one another.

"Peer-to-peer observation is looked at differently," said Derwort. "It shows that we care for one another, and it opens up the ability for honesty in a way that doesn't happen with a supervisor. These observations don't stress people out the way a supervisor review might."

The best part of the observations, Derwort said, is that they are helping to improve safety awareness at Keurig. "We're changing the culture so safety is part of our everyday jobs," she said.

**KEURIG GREEN MOUNTAIN, INC.**

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