



BEYOND THE CUP

SUSTAINABILITY REPORT FISCAL 2014



OVERVIEW

Executive Letters

Our Company

Governance and
Management

Our Strategy

Our Targets

Value Chain

Materiality Matrix

Key Data Summary

Stakeholder
Engagement

Collaboration

Awards/Recognition

About This Report

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES



Overview



OVERVIEW

Executive Letters

Our Company

Governance and
Management

Our Strategy

Our Targets

Value Chain

Materiality Matrix

Key Data Summary

Stakeholder
Engagement

Collaboration

Awards/Recognition

About This Report

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

Integration. Commitment. Accountability.

Welcome to the Keurig Green Mountain, Inc. (Keurig) fiscal 2014 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 "brew a better world," using the power of business to make the world a better place.

This report highlights our most recent sustainability initiatives, including our work toward our 2020 sustainability targets. Our work focuses on three key areas: creating a **Resilient Supply Chain**, innovation of **Sustainable Products**, and support for **Thriving People and Communities**. We've created a fourth section of the report this year that addresses **Water Stewardship**, a cross-cutting topic that spans all of our focus areas. With this report, we are announcing a new target to balance the water used in our 2020 brewed beverage volume of all our beverages, ounce for ounce. In other words, for every cup our consumers brew, we will restore the same amount of water for natural and community uses through projects in North America.

OVERVIEW

[Executive Letters](#)

[Our Company](#)

[Governance and Management](#)

[Our Strategy](#)

[Our Targets](#)

[Value Chain](#)

[Materiality Matrix](#)

[Key Data Summary](#)

[Stakeholder Engagement](#)

[Collaboration](#)

[Awards/Recognition](#)

[About This Report](#)

[WATER STEWARDSHIP](#)

[RESILIENT SUPPLY CHAIN](#)

[SUSTAINABLE PRODUCTS](#)

[THRIVING PEOPLE AND COMMUNITIES](#)

CHIEF EXECUTIVE OFFICER LETTER

Dear Friends,

For more than 32 years, our ethos at Keurig Green Mountain has demanded we conduct business with a purpose. In the early years, our efforts were focused primarily on improving the livelihoods of the coffee farmers who grew and supplied our beans. As our business has grown in size and scope, we have expanded our approach and broadened our lens. In addition to supporting coffee farmers, we're looking inside and integrating sustainability into everything we do, from our operations to our business planning. We're also looking outside and focusing directly on the areas of interest and overlap between benefits for society, the environment, and our Company. Water, and our water initiatives, are a perfect example of this intersection.

While we are newcomers to the water discussion, for years our beverage systems have enabled consumers to use less water by brewing only what they need. We envision an even greater water savings with our forthcoming cold beverage system. We also have a unique opportunity to engage with our consumers on the importance of water savings due to our products.

We know that access to and availability of water is critical throughout our value chain and we appreciate the complexity of the issue. We see it not in isolation, but intertwined with other global challenges such as climate change and the need to feed a growing population. Within this network, we are doing our part to address water stewardship opportunities all along our value chain. We have set 2020 targets and are exercising our value of **partnering for mutual success** by engaging our network of partners and consumers to expand the impact of our efforts.

We sparked this connection in the past year when we convened a diverse set of experts at our first annual water summit, CURRENT: Collaborating for a Water-Secure World. This summit created a platform for an open exchange of ideas and dialogue between more than 130 leaders in the private, public, and NGO sectors. The collaboration and innovative, integrated thinking was remarkable and truly in the spirit of what our Company stands for.



Brian Kelley

OVERVIEW

[Executive Letters](#)

[Our Company](#)

[Governance and Management](#)

[Our Strategy](#)

[Our Targets](#)

[Value Chain](#)

[Materiality Matrix](#)

[Key Data Summary](#)

[Stakeholder Engagement](#)

[Collaboration](#)

[Awards/Recognition](#)

[About This Report](#)

WATER STEWARDSHIP

RESILIENT SUPPLY CHAIN

SUSTAINABLE PRODUCTS

THRIVING PEOPLE AND COMMUNITIES

In addition to heightened attention on water, a top sustainability priority for us remains ensuring that 100% of our K-Cup® packs are recyclable by 2020. We know that consumers want a useful secondary life for their used K-Cup® packs, and we are committed to solving this challenge. Along the way, we are integrating sustainable choices and behaviors into every area of our business — from product design to material selection, and from supplier selection to operating procedures aimed at eliminating waste and optimizing our use of resources.

We are meeting new challenges while continuing to create positive and sustainable change in the local and global communities along our value chain. An example of the innovative solutions we seek and support is our work to co-fund eight organic fertilizer plants with producer organizations in our supply chain. Organic fertilizers deliver multiple sustainability benefits by reducing the use of harmful chemicals, increasing farm yields, improving coffee quality, promoting soil and human health, and reducing farmer costs. The benefits of this work are demonstrated by a Peruvian coffee cooperative whose average productivity increased 23% with the use of organic fertilizer, while their fertilizer costs were reduced by 31%.

Building a sustainable organization takes time, vision, and persistence. We're proud of where we are now and realistic about the challenges that lie ahead. We're deeply committed to becoming more sustainable through relentless, incremental improvements that allow us to get a little bit better each and every day.

Sincerely,

Brian P. Kelley

President and CEO

February 2, 2015



OVERVIEW

[Executive Letters](#)

[Our Company](#)

[Governance and Management](#)

[Our Strategy](#)

[Our Targets](#)

[Value Chain](#)

[Materiality Matrix](#)

[Key Data Summary](#)

[Stakeholder Engagement](#)

[Collaboration](#)

[Awards/Recognition](#)

[About This Report](#)

[WATER STEWARDSHIP](#)

[RESILIENT SUPPLY CHAIN](#)

[SUSTAINABLE PRODUCTS](#)

[THRIVING PEOPLE AND COMMUNITIES](#)

CHIEF SUSTAINABILITY OFFICER LETTER

When I assumed the position of Chief Sustainability Officer this past year, I received a number of congratulatory notes from employees across the Company. The majority echoed a similar theme: Let me know how I can help. Our people have an enormous desire to actively contribute to the environmental and social sustainability of Keurig Green Mountain — and that's very unique to this Company.

It also makes my role unique in that I'm not building systems and processes specific to a particular function but rather working with leadership and teams of employees to engage and integrate sustainability across our entire organization. Accountability is key to sustainability integration and, this past year, we've started with top executives, focusing on the Company business plan. Together, we're identifying the opportunities and building the processes and partnerships necessary to deliver on our 2020 targets — steps that will also be integral to delivering on our core business objectives.

We have focused our primary efforts on three areas.

First and foremost is directly addressing and establishing accountability for **product stewardship**. While we have undertaken a focused effort to convert the K-Cup® pack to a recyclable format by 2020, we are also committed to ensuring all new products are equally thoughtful in design, use, and disposal. We have accomplished this with all of the portion packs designed after the K-Cup®, including the Vue®, Bolt®, and K-Carafe™ packs. And now is the time to make this an explicit requirement across all products.

Product stewardship is not the responsibility of one person. It requires a network of teams across our innovation, research and development, project management, and product commercialization functions. These teams must make trade-offs in the design and commercialization of products. While our Company has historically embraced a holistic view of our business practices and impacts — engaging with coffee growers two to three times removed from our buyers and conducting life-cycle assessments on all products we sell — our product development teams have often lacked the tools needed to understand



A handwritten signature in black ink, appearing to read "Jennifer O'Kane".

OVERVIEW

[Executive Letters](#)

[Our Company](#)

[Governance and Management](#)

[Our Strategy](#)

[Our Targets](#)

[Value Chain](#)

[Materiality Matrix](#)

[Key Data Summary](#)

[Stakeholder Engagement](#)

[Collaboration](#)

[Awards/Recognition](#)

[About This Report](#)

WATER STEWARDSHIP

RESILIENT SUPPLY CHAIN

SUSTAINABLE PRODUCTS

THRIVING PEOPLE AND COMMUNITIES

the impacts of their decisions once our product is in the consumer's hands. In fiscal 2014, we began work to arm our innovation and design teams with formal tools and processes to help them make informed decisions and enhance product stewardship across our entire value chain.

Another priority is the development of a **water stewardship** approach that promotes understanding of the water-savings attributes of our beverage systems while striving to connect those whose lives we touch to local and global water challenges in ways that inspire them to conserve and protect water resources. We are starting by optimizing for water efficiency in our own operations. Recognizing our unique opportunity to engage consumers through the creation of beverages in Keurig® systems, we are also committing to balance the volume of water used to make our beverages through projects in North America that restore an equal amount for natural and community uses. We see another unique opportunity to expand on our emerging water balance projects, as well as our established supply chain outreach work, to connect people to clean water sources.

This brings us to our third and equally critical priority. Our outreach to coffee farmer communities has built a strong foundation for our efforts to improve livelihoods for people in our supply chain. While coffee-growing communities have been the primary beneficiaries of our outreach projects, Keurig Green Mountain has also benefited. One of these benefits has been a deeper understanding of the interdependencies among economic, social, and environmental conditions in a commodity supply chain. **Supply chain resiliency** efforts are key to the long-term viability of our business and remain an area we're focusing on intently.

I am so proud to be part of an organization that can grow so expansively and diversify so effectively while retaining its core values without dilution. Keurig Green Mountain is full of people who have joined the Company because they shared our values. They stay at our Company because they are excited to be able to live those values every day at work. It is the **translation of values into action** that will help us reach our targets. We are looking forward to sharing our progress in this and future reports, and we encourage your feedback on our targets, performance, and opportunities.

Monique Oxender

Chief Sustainability Officer

February 2, 2015

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.

OVERVIEW

Executive Letters

Our Company

Governance and Management

Our Strategy

Our Targets

Value Chain

Materiality Matrix

Key Data Summary

Stakeholder Engagement

Collaboration

Awards/Recognition

About This Report

WATER STEWARDSHIP

RESILIENT SUPPLY CHAIN

SUSTAINABLE PRODUCTS

THRIVING PEOPLE AND COMMUNITIES

OUR COMPANY

As a leader in specialty coffee, coffeemakers, teas, and other beverages, Keurig Green Mountain is recognized for our award-winning beverages, innovative brewing technology, and socially responsible business practices. Our Company has inspired consumer passion for our products by revolutionizing beverage preparation at home and in the workplace. We support local and global communities by investing in sustainably grown coffee and by our active involvement in a variety of social and environmental projects.

OUR OPERATIONS, FISCAL 2014

6,300*

Employees worldwide

60

Brands available within the Keurig® brewing system

>400

Beverage varieties

\$4.7B

Net sales

\$596.5M

Net income

\$3.5B

Stockholders' equity

\$3.74

Net income per diluted share

\$55.7M

Sustainability spend

*Total employees disclosed in this report do not include temporary employees or employees on leave.

OVERVIEW

Executive Letters

Our Company

Governance and Management

Our Strategy

Our Targets

Value Chain

Materiality Matrix

Key Data Summary

Stakeholder Engagement

Collaboration

Awards/Recognition

About This Report

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

OUR NORTH AMERICAN FACILITIES



9

Production
Facilities

2

R&D Facilities

400

Engineers &
Scientists*

436

Patents issued
globally**

387

Patent applications
pending globally**

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.

OVERVIEW

Executive Letters

Our Company

Governance and Management

Our Strategy

Our Targets

Value Chain

Materiality Matrix

Key Data Summary

Stakeholder Engagement

Collaboration

Awards/Recognition

About This Report

WATER STEWARDSHIP

RESILIENT SUPPLY CHAIN

SUSTAINABLE PRODUCTS

THRIVING PEOPLE AND COMMUNITIES

GOVERNANCE AND MANAGEMENT

At Keurig Green Mountain, 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.

This oversight and accountability start at the very top with our Board of Directors. Our Board consists of 11 members, 10 of whom are independent (as defined by NASDAQ Listing Rules). The Board's work is guided by our detailed Corporate Governance Principles and conducted via

four committees: Audit and Finance, Governance and Nominating, Compensation and Organizational Development, and Sustainability.

The Sustainability Committee, which was established in 2008, oversees all of Keurig Green Mountain's social and environmental initiatives. The Committee supports alignment between the Company's activities and its sustainability targets and reviews and approves this sustainability report, among other responsibilities.

OUR GOVERNANCE MODEL

Sustainability Committee – Board of Directors

Provide primary board-level oversight of strategy, goals, policies, and programs

External Advisory Panel

Provide external perspectives, challenges, and guidance

Internal Sustainability Leadership

Drive and guide strategy, policy, and integration



Executive Leadership Team

Provide directional guidance on strategy and ensure business alignment

Sustainability Leadership Committee

Provide cross-functional decision-making and alignment with strategy

OVERVIEW

Executive Letters

Our Company

Governance and Management

Our Strategy

Our Targets

Value Chain

Materiality Matrix

Key Data Summary

Stakeholder Engagement

Collaboration

Awards/Recognition

About This Report

WATER STEWARDSHIP

RESILIENT SUPPLY CHAIN

SUSTAINABLE PRODUCTS

THRIVING PEOPLE AND COMMUNITIES

The daily execution of Keurig Green Mountain's social and environmental initiatives is led by Monique Oxender, our Chief Sustainability Officer. Ms. Oxender was appointed to this role in November 2014.

Our corporate Code of Conduct, which was updated in early 2014, 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 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.

For more information regarding Keurig Green Mountain's corporate governance, including our Corporate Governance Principles, the Sustainability Committee's charter, and our Code of Ethics, see Investor.KeurigGreenMountain.com/Corporate-Governance.cfm.

KEURIG GREEN MOUNTAIN INTEGRATED SUSTAINABILITY MODEL



OVERVIEW

Executive Letters

Our Company

Governance and Management

Our Strategy

Our Targets

Value Chain

Materiality Matrix

Key Data Summary

Stakeholder Engagement

Collaboration

Awards/Recognition

About This Report

OUR STRATEGY

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 portion pack, the beverage, the brewer and its components, as well as the manufacturing lines that make the portion packs. 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 and our business strategy, please see our [fiscal 2014 Annual Report](#)).

Sustainability is an essential element of our culture and of our business performance. In fiscal 2014, we continued to build sustainability into all aspects of our business. In particular, we developed a centralized data management tool that is helping us measure and track our progress toward our sustainability targets. (See the [Resilient Supply Chain](#) section for more details on this tool).

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. 14](#)).

The Sustainability Leadership Committee is comprised of direct reports to the executive leadership of the Company and serves as the cross-functional decision-making body for sustainability at Keurig Green Mountain. Operating committees for each practice area meet monthly and align activity with goals across the organization, providing timely updates and recommendations to the Leadership Committee. Water Stewardship is a cross-cutting issue for all practice areas.

Our sustainability strategy focuses on three primary efforts for which we are engaging across the value chain: product stewardship, water stewardship, and supply chain resiliency.

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

OVERVIEW

Executive Letters

Our Company

Governance and
Management

Our Strategy

Our Targets

Value Chain

Materiality Matrix

Key Data Summary

Stakeholder
Engagement

Collaboration

Awards/Recognition

About This Report

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

Sustainability Programming

In fiscal 2014, Keurig Green Mountain spent almost 6% of pre-tax income on social and environmental programs and investments. In addition to outreach projects within our supply chain communities, we continued to purchase Fair Trade coffee. Our commitment to employee engagement remained strong by funding 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.

SUSTAINABILITY SPEND, FISCAL 2014



Fair Trade Social Premiums and Licensing Fees	59%
Supply Chain Cash Grants	18%
Corporate Sustainability Programming	16%
Domestic Cash Grants and Product Donations	4%
Volunteerism and Employee Benefits	3%

OUR SUSTAINABILITY TARGETS

In early 2014, we announced a set of ambitious targets that we intend to reach by 2020. The targets are business-driven and future-oriented, demonstrating what we want to invest in today and where we want to be in the future. We view the targets as essential for our Company and its success.

Even before we formally announced the targets, we began to develop integrated mechanisms to track and report our progress against them. During fiscal 2014 we made substantial progress in defining metrics and putting systems in place to gather data. In this report, we share performance data where we currently collect it and discuss our progress qualitatively where performance indicators are not yet in place.

With this report, we are also announcing a new target to balance the water used in our 2020 brewed beverage volume of all our beverages, ounce for ounce, through projects that restore water for natural and community uses. We will activate on this goal in North America. As discussed in the Water Stewardship section, we will be developing quantifiable projects in 2015, emphasizing those that build or promote natural water management infrastructure, provide source water protection, and restore river and streambank zones and urban waters.

Also with this report, we are reinforcing a target for improved livelihoods in our supply chain and specifically recognizing the role that water security and climate resilience play in an improved livelihood. (Please see the [Water Stewardship](#) section for details).

OVERVIEW

Executive Letters

Our Company

Governance and
Management

Our Strategy

Our Targets

Value Chain

Materiality Matrix

Key Data Summary

Stakeholder
Engagement

Collaboration

Awards/Recognition

About This Report

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

PROGRESS TOWARD OUR SUSTAINABILITY TARGETS

2020



REVISED TARGET

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

383.6K People impacted through Keurig Green Mountain-funded partner projects.



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

We are testing key design concepts for a K-Cup® pack that can be easily separated and readily recycled. We are investing \$5 million over five years in recycling solutions via the Closed Loop Fund.



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

4% Coffee roasting energy reduction in fiscal 2014.

→ Corporate GHG footprint complete.



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

64% Coffee traceable to source.

→ Responsible Sourcing Supplier Guidelines established and published.



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

86% Fiscal 2014 manufacturing waste diversion rate (up from 73% in fiscal 2013).



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

72% Surveyed employees who affirmed they are "able to bring our Company's values to life in my everyday work."



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

Project portfolio for balance target in development.

OVERVIEW

Executive Letters

Our Company

Governance and Management

Our Strategy

Our Targets

Value Chain

Materiality Matrix

Key Data Summary

Stakeholder Engagement

Collaboration

Awards/Recognition

About This Report

WATER STEWARDSHIP

RESILIENT SUPPLY CHAIN

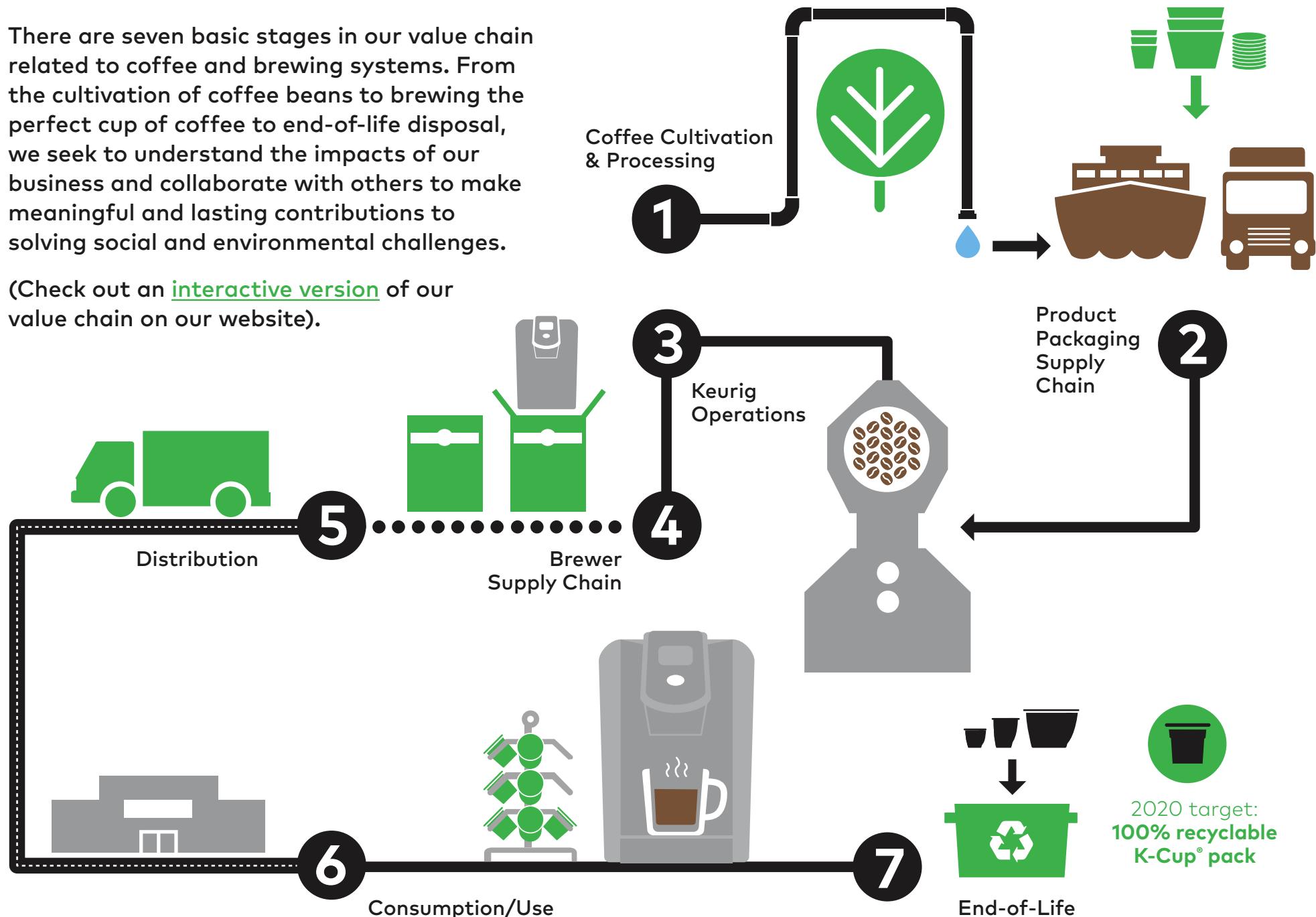
SUSTAINABLE PRODUCTS

THRIVING PEOPLE AND COMMUNITIES

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).



OVERVIEW

- Executive Letters
- Our Company
- Governance and Management
- Our Strategy
- Our Targets
- Value Chain
- Materiality Matrix**
- Key Data Summary
- Stakeholder Engagement
- Collaboration
- Awards/Recognition
- About This Report

WATER STEWARDSHIP

RESILIENT SUPPLY CHAIN

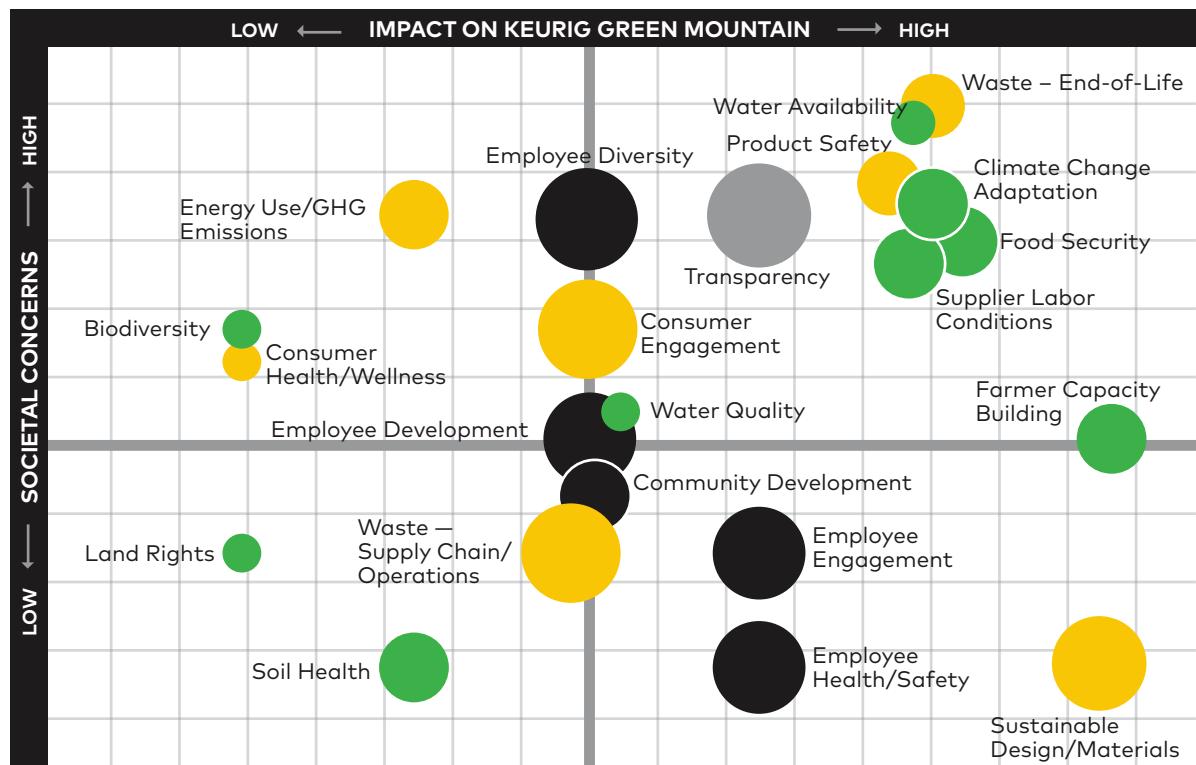
SUSTAINABLE PRODUCTS

THRIVING PEOPLE AND COMMUNITIES

MATERIALITY MATRIX

Our Materiality Matrix was developed as part of our fiscal 2012 efforts to update our sustainability strategy. After identifying the most material issues to our Company, they were further assessed for their impact on Keurig Green Mountain and level of concern to society. The resulting map of issues has been reviewed by top executives of the Company and external stakeholders. The analysis helped elevate some issues in priority and identify areas where there is a need to better understand the connections between issues. The analysis also helped inform the development of our strategy framework and the structure and content of this report, which is an important way we communicate to employees and other stakeholders about sustainability at Keurig Green Mountain.

We will be conducting an update of our materiality analysis in the spring of 2015 and will share the results as we complete the analysis in 2015. See our website for an analysis of our [material issues across our value chain](#).



OVERVIEW

Executive Letters

Our Company

Governance and Management

Our Strategy

Our Targets

Value Chain

Materiality Matrix

Key Data Summary

Stakeholder Engagement

Collaboration

Awards/Recognition

About This Report

KEY PERFORMANCE INDICATORS

The pages below summarize our fiscal 2014 key performance indicators (KPIs). We are in the process of aligning KPIs with our 2020 targets.

			FISCAL 2012	FISCAL 2013	FISCAL 2014
RESILIENT SUPPLY CHAIN	Supplier Workplace Assessments¹	Number of supplier assessments	30	22	21
	Coffee Sourcing	Total lbs. coffee traceable by source including all certified coffees (in thousands) and percentage of total lbs. sourced ²	97,238 / 47.1%	147,416 / 68.4%	145,644 / 64%
	Supply Chain Outreach	Total grant donation dollars to supply chain communities (in thousands)	\$10,154	\$10,586	\$8,980
		People impacted through Keurig Green Mountain-funded partner projects	-- ³	837,000	383,600 ⁴

¹We are in the process of developing additional KPIs for Responsible Sourcing and will report against these in the future.

²In prior reports, we labeled this indicator as "farm identified." We are now using the more comprehensive definition of "traceable by source."

³Fiscal 2013 was the first year we tracked total number of individuals within our supply chain receiving support through Keurig Green Mountain-funded partner projects. In previous years, we reported total number of individuals receiving food security support only.

⁴Starting in fiscal 2014, number of individuals includes only people directly impacted to better align with how we will measure progress against our 2020 target. Methodology will be finalized in fiscal 2015.

WATER STEWARDSHIP

RESILIENT SUPPLY CHAIN

SUSTAINABLE PRODUCTS

THRIVING PEOPLE AND COMMUNITIES

OVERVIEW

Executive Letters

Our Company

Governance and Management

Our Strategy

Our Targets

Value Chain

Materiality Matrix

Key Data Summary

Stakeholder Engagement

Collaboration

Awards/Recognition

About This Report

WATER STEWARDSHIP

RESILIENT SUPPLY CHAIN

SUSTAINABLE PRODUCTS

THRIVING PEOPLE AND COMMUNITIES

KEY PERFORMANCE INDICATORS		FISCAL 2012 ¹	FISCAL 2013	FISCAL 2014
SUSTAINABLE PRODUCTS	Waste²	Solid waste to landfill as a percentage of net sales (tons/\$1,000,000)	0.99	0.80
		Manufacturing facility waste diversion rate	79%	73% ³
	Energy	Normalized energy metric (therms/\$1,000 sales) (including affiliate sales)	6.15	5.67
	Greenhouse Gas Emissions (short tons, in thousands)⁴	Scope 1 - Direct emissions	35	34
		Scope 2 - Purchased electricity ⁵	0	0
		Scope 3 - Indirect emissions ⁶	128 ⁷	129 ⁷
		Total estimated emissions	163	163

¹Specialty Coffee Business Unit only.

²For an update on our progress toward our recyclable K-Cup® pack target, please [see page 67](#).

³Includes data from our Toronto manufacturing facility, which closed in March 2014.

⁴In 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. Previous years' information is not restated based on the new factors.

⁵We purchase renewable electricity in the form of Green-e certified renewable energy certificates. Consistent with Environmental Protection Agency guidance, we began recording zero Scope 2 emissions based on our purchase of renewable energy in fiscal 2010.

⁶Scope 3 includes emissions from energy used in transportation of raw material and finished goods by third-party logistics partners to and from Keurig Green Mountain-owned or leased facilities. For fiscal 2014 we have discontinued inclusion of emissions resulting from employee commuting and corporate travel. Due to the more holistic energy use view we have gained via our corporate GHG footprint exercise published with this report, and the resources required to develop the travel and commuting information, we have determined that inclusion of these activities is not a priority for understanding our energy use and near-term reduction opportunities as these activities are insignificant relative to our overall footprint. At this time, we do not include emissions associated with other Scope 3 categories; however, we anticipate that continued tracking and updates to our corporate footprint in support of our 2020 target will allow us to more fully report Scope 3 emissions in the future.

⁷We have restated our estimated Scope 3 emissions starting in fiscal 2012, incorporating additional data around logistics.

OVERVIEW

Executive Letters

Our Company

Governance and Management

Our Strategy

Our Targets

Value Chain

Materiality Matrix

Key Data Summary

Stakeholder Engagement

Collaboration

Awards/Recognition

About This Report

WATER STEWARDSHIP

RESILIENT SUPPLY CHAIN

SUSTAINABLE PRODUCTS

THRIVING PEOPLE AND COMMUNITIES

KEY PERFORMANCE INDICATORS		FISCAL 2012	FISCAL 2013	FISCAL 2014	
THRIVING PEOPLE AND COMMUNITIES	Safety¹	Injury severity (Days Away Restricted or Transferred, DART) rate	3.44	2.64	1.93
		Incidence frequency (Total Recordable Incidence, TRI) rate	4.23	3.31	2.58
		Occupational fatalities	0	0	0
	Retention and Satisfaction	Employee retention	89.3%	92.1%	90.1%
		Percentage of surveyed employees who affirmed they are "able to bring our Company's values to life in my everyday work"	--	--	72% ²
	Communities	Total hours volunteered	71,610	64,250	57,755
		Employees volunteering (as a percentage of average full-time employees)	64.9%	62.0%	51.2%

¹Data for 2012 includes North American manufacturing sites and United States non-manufacturing sites. Fiscal 2013 and 2014 data include all company data.

²Fiscal 2014 was the first year we surveyed employees with this question.

OVERVIEW

Executive Letters

Our Company

Governance and Management

Our Strategy

Our Targets

Value Chain

Materiality Matrix

Key Data Summary

Stakeholder Engagement

Collaboration

Awards/Recognition

About This Report

WATER STEWARDSHIP

RESILIENT SUPPLY CHAIN

SUSTAINABLE PRODUCTS

THRIVING PEOPLE AND COMMUNITIES

STAKEHOLDER ENGAGEMENT

Keurig Green Mountain welcomes stakeholder feedback, gaining valuable insight from those both within and outside our Company. In 2013, Keurig Green Mountain established an External Advisory Panel (EAP) to formalize our approach to engaging a wide range of stakeholders. The EAP is a group of eight stakeholders who serve in an advisory capacity and convene three times annually to provide perspective, guidance, and challenges to our Sustainability Leadership Committee and Executive Leadership team.



Our EAP members include:

- **Christine Bader**, Human Rights Advisor, BSR
- **Monica Ellis**, Collaborator and CEO, Global Environment and Technology Foundation, and CEO, Global Water Challenge
- **Willy Foote**, CEO and Founder, Root Capital
- **Ron Gonen**, Co-Founder and CEO, Closed Loop Fund
- **Greg Norris**, Co-Director, Sustainability and Health Initiative for NetPositive Enterprise at Harvard School of Public Health
- **Bambi Semroc**, Senior Strategic Advisor, Conservation International
- **Keith Sutter**, Director, Medical Device and Diagnostics Sustainability, Johnson & Johnson
- **Dan Viederman**, CEO, Verité.

OVERVIEW

Executive Letters

Our Company

Governance and Management

Our Strategy

Our Targets

Value Chain

Materiality Matrix

Key Data Summary

Stakeholder Engagement

Collaboration

Awards/Recognition

About This Report

WATER STEWARDSHIP

RESILIENT SUPPLY CHAIN

SUSTAINABLE PRODUCTS

THRIVING PEOPLE AND COMMUNITIES

As of late fall 2014, the EAP had convened formally four times to advise on various aspects of our sustainability strategy and progress. Their guidance on specific issues and on our broader sustainability strategy has been extremely valuable, as our Company grows quickly and the sustainability landscape evolves. The EAP has highlighted many different issues — from developments in the international business and human rights movement to the technical possibilities of post-consumer recycling. Below we share some of the EAP's most prominent themes and calls to action and how we are actively addressing these points.

- Keurig Green Mountain's international growth and visibility will increase pressure to develop a sustainable design process and to lead in product stewardship. Within this context, our EAP members remind us that our Company has the opportunity to transform the beverage industry through collaboration, transparency, and minimizing impacts to the environment. We have taken this feedback into account, for example, by working with other industry influencers on the K-Cup® recycling challenge and by playing a convening role in our efforts on water stewardship to ensure we collectively raise the bar.
- One of the most important challenges for Keurig Green Mountain will be managing our evolving commodity sourcing, ensuring a long-term supply of key ingredients. The EAP's perspective on human rights, labor conditions, and other important aspects of our resilient supply chain strategy has been invaluable. We continue to embed this insight in our existing supply chain and will ensure the same high standard is met for our upcoming Keurig Cold™ platform.

- Stakeholders recommended that the business value of our Company's sustainability strategy and targets — environmental, as well as social — be clearly articulated. This sentiment includes informing investors by communicating the value of sustainability as a relevant element of our future growth. This input resonated with our internal approach, and we have been working toward embedding and communicating our strategic priorities in relation to sustainability in many different contexts, spearheaded by our executive committee.

We appreciate the commitment of the EAP membership and their willingness to provide constructive feedback along our sustainability journey. We look forward to continuing to engage with them in the year ahead, and to strengthening our business in a sustainable way as a result of their insights.

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

OVERVIEW

Executive Letters

Our Company

Governance and Management

Our Strategy

Our Targets

Value Chain

Materiality Matrix

Key Data Summary

Stakeholder Engagement

Collaboration

Awards/Recognition

About This Report

WATER STEWARDSHIP

RESILIENT SUPPLY CHAIN

SUSTAINABLE PRODUCTS

THRIVING PEOPLE AND COMMUNITIES

A Few of Our Keurig External Advisory Panel Members

"Keurig Green Mountain increasingly has the potential and the responsibility to create major positive impacts that improve the sustainability of hot and cold beverages – their own and beyond. I appreciate that they are engaging a group of independent stakeholders to challenge and encourage them in this regard, and I also admire the tenacity and spirit of Keurig Green Mountain's internal sustainability team. If anyone can rise to these challenges, they can!"

– GREG NORRIS, Co-Director, Sustainability and Health Initiative for NetPositive Enterprise at Harvard School of Public Health

"It's been a privilege to serve on the EAP and interact with such a diverse group of experts able to cover so many different aspects of sustainability. Keurig Green Mountain has a tremendous opportunity to take lessons learned from its deep experience in sustainable coffee programs and extend it throughout all aspects of the supply chain and it is exciting to be a part of this journey."

– BAMBI SEMROC, Senior Strategic Advisor, Conservation International

"As Keurig Green Mountain continues its rapid growth in terms of both market expansion and product mix, its impacts and challenges with respect to human rights and sustainability will experience commensurate growth. Keurig Green Mountain appreciates what is at stake, and is clearly committed to proactive and honest engagement to try to ensure that it meets its responsibility to respect human rights as a buyer and a leading brand."

– CHRISTINE BADER, Human Rights Advisor, BSR

"Keurig Green Mountain can be a true corporate leader with its 2020 sustainability agenda. The company is poised for tremendous growth and is actively seeking out opportunities to do good things in the world as its footprint expands."

– MONICA ELLIS, Collaborator CEO, Global Environment and Technology Foundation
CEO, Global Water Challenge

OVERVIEW

Executive Letters

Our Company

Governance and
Management

Our Strategy

Our Targets

Value Chain

Materiality Matrix

Key Data Summary

Stakeholder
Engagement

Collaboration

Awards/Recognition

About This Report

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

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 businesses that face similar challenges and opportunities, as well as with NGOs and academic experts, to gain knowledge useful to improving our programs and to advance ideas and solutions that help other organizations.

- 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 Green Mountain is a founding member of the [Coffeelands Food Security Coalition](#), a group of six member companies that seek to strengthen coffee communities through the power of collaboration.
- In fiscal 2014, we continued to be 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.

- In 2014, we joined the [Closed Loop Fund](#) and committed to invest \$5 million over five years to support the development of recycling infrastructures.
- We belong to [The Association of Postconsumer Plastic Recyclers](#), which includes recyclers, brand owners, and plastics converters seeking to solve problems and understand issues related to plastics recycling.
- In 2013, we joined [The Sustainability Consortium](#) as members of the Food, Beverage, and Agriculture working group and the Packaging working group. We will also participate in the Electronics working group.
- We belong to the [Sustainable Packaging Coalition](#) and continue to work with the organization and other companies on packaging sustainability-related issues, such as product end-of-life. We belong to the Product Sustainability Round Table, which brings together businesses to share and learn from each other about developing more sustainable products.

OVERVIEW

Executive Letters

Our Company

Governance and Management

Our Strategy

Our Targets

Value Chain

Materiality Matrix

Key Data Summary

Stakeholder Engagement

Collaboration

Awards/Recognition

About This Report

WATER STEWARDSHIP

RESILIENT SUPPLY CHAIN

SUSTAINABLE PRODUCTS

THRIVING PEOPLE AND COMMUNITIES

AWARDS AND RECOGNITION

Keurig Green Mountain is often recognized with sustainability awards, including those highlighted below. For a full list of awards, visit our website.

- Best Companies for Leaders List 2014 (#28) — *Chief Executive Magazine*
- 2014 Natural Capital Leaders Index, Efficiency Leader for Food & Beverage — *Trucost Plc.*
- Gold Winner: Best Company for Sustainability (Regional) 2014 — *IAIR Magazine*
- America's Greenest Companies for Green Rankings 2014 (#123) — *Newsweek*
- National Top 100 List of Green Power Users (#71) — *United States Environmental Protection Agency*
- The World's Most Innovative Companies 2014 (#44) — *Forbes*

ABOUT THIS REPORT

This report covers fiscal 2014, from September 28, 2013, to September 27, 2014. We used the G3.1 Sustainability Reporting Guidelines and Food Processing Sector Supplement of the Global Reporting Initiative (GRI) at a self-declared B level. We also have started the process of migrating to the GRI G4 Guidelines by analyzing gaps with G4 reporting and beginning to fill them. We plan to report using the GRI G4 Guidelines following an update of our materiality analysis in 2015. Our most recent previous report was published in March 2014, covering our 2013 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 detail on GRI, UNGC, and other documents.

OVERVIEW

Executive Letters

Our Company

Governance and Management

Our Strategy

Our Targets

Value Chain

Materiality Matrix

Key Data Summary

Stakeholder Engagement

Collaboration

Awards/Recognition

About This Report

The data cited refer to fiscal 2014 or the last day of fiscal 2014 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 within 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.

WATER STEWARDSHIP

RESILIENT SUPPLY CHAIN

SUSTAINABLE PRODUCTS

THRIVING PEOPLE AND COMMUNITIES

OVERVIEW

WATER STEWARDSHIP

Water in Our
Value Chain

Our Balance
Target

Water
Partnerships

Engagement

CURRENT 2014

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

Water Stewardship



Photo courtesy of charity: water

OVERVIEW

WATER STEWARDSHIP

Water in Our
Value Chain

Our Balance
Target

Water
Partnerships

Engagement

CURRENT 2014

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

Water is essential to all life on earth. It is critical to the health and vitality of individuals, communities, and nations, sustaining livelihoods all around the globe. Water is also a fundamental input across our value chain. Our core agricultural ingredients — coffee beans, tea, and cocoa — for example, require clean, fresh water to grow. And our Keurig® brewing system uses water to produce each cup — an estimated (and growing) 370 million gallons* of beverages annually.

As the climate changes, patterns of rainfall and water availability are also changing, and in many regions of the world, water shortages very quickly turn into food shortages. These interconnected trends make it ever more important to use water efficiently in our own operations and to promote conservation and resiliency in our supply chain.

Globally, water challenges are vast in scale. An estimated 780 million people^{**} lack access to clean water while another 2.5 billion^{**} lack access to basic water sanitation. Due to the interconnected nature of water challenges both on a local and global scale, collective, cross-sector action is required. We are marshaling our employees, consumers, business partners, and other partners in collaborative solutions that will drive innovation, both in our products and in water projects that we support around the world.

Our Opportunity

We believe our Company can uniquely contribute to solving local and global water challenges by combining our strengths in innovation, partnership, and sustainability. Our water commitment goes hand-in-hand with our commitment to create products that help consumers use water smartly. The Keurig® brewing system uses water from the tap and only the amount that will be consumed as part of the beverage prepared. (On average, about 12% to 15%*** of batch home- and office-brewed coffee is wasted). In short, Keurig Green Mountain is enabling consumers to save water by making only what they need and partnering with others to build a water-secure world. Our water stewardship focus builds upon the value our products deliver to consumers and on a strong legacy of giving back to our communities.

*Estimated based on 2012 K-Cup® pack sales multiplied by 8-oz beverage volume.

**WHO/UNICEF Joint Monitoring Programme (JMP) for Water Supply and Sanitation. (2012). Progress on Sanitation and Drinking-Water, 2012 Update.

***Keurig/Godfrey Study Waste Coffee, May 2009.

OVERVIEW

WATER STEWARDSHIP

Water in Our
Value Chain

Our Balance
Target

Water
Partnerships

Engagement

CURRENT 2014

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

Our Approach

For decades, our Company has been known for the work we are doing within our coffee-growing communities, helping farmers become more resilient and improving livelihoods. Addressing water challenges has been an integral part of our approach as we established the direct connection between farmer livelihoods and water and food security. More recently, we have taken a closer look at water impacts across our entire value chain — from source to consumption. Our Company has considered the direct and indirect water-related impacts of our products, our operations, and our supply chain.

Our approach to water stewardship aims to be both responsive and restorative. We intend to **optimize** resources through efficient use of water in our own operations; **balance**, ounce for ounce, the water used in all our beverages through projects that restore an equal volume of water for natural and community uses; and **connect** people to clean water sources.

When we adopted our 2020 sustainability targets, we set corporate targets to improve livelihoods and provide access to clean water in our supply chain communities. We quickly realized, however, that because water is an integral aspect of viable coffee farmer livelihoods, it would be difficult, if not impossible, to separately account for the two targets. As a result, we have folded water security explicitly into our supply chain livelihoods target to ensure consistent integration with our entire portfolio of supply chain resilience investments. With this report, we are announcing a target to balance our 2020 brewed beverage volume, ounce for ounce, through

projects in North America that restore water for natural and community uses. Our operations are in North America and so are the majority of our consumers. It just makes sense to commit to ensuring healthy, local watersheds and, in turn, resilient communities, closer to home, in addition to a continued focus in our supply chain.

We believe our holistic approach to water — starting with our support of the Human Right to Water and ranging from direct investment in water partnerships to product development and water balance in relevant communities — will not only bring benefits to the world, but will yield benefits for our business, too. It's all part of our commitment to "*brew a better world*."

OUR WATER APPROACH



Optimize

Optimize resources through efficient use of water withdrawn.



Balance

Balance the water volume of our beverages through projects that restore an equal volume of water for natural and community uses.



Connect

Connect people to clean water sources.

OVERVIEW

WATER STEWARDSHIP

Water in Our
Value Chain

Our Balance
Target

Water
Partnerships

Engagement

CURRENT 2014

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

WATER IN OUR VALUE CHAIN

In early 2014, we conducted a comprehensive water footprint of the value chain related to the creation and use of our coffee portion packs to more fully understand the impact of our products and identify areas for improvement. The analysis, which was a key step in building our holistic water stewardship framework, considered water use from the cultivation of coffee beans through the water required to make coffee in Keurig® brewers.

The findings indicate that we are not a large direct consumer of water and that the brewers we make actually promote water savings. 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 of embedded

FOOD-ENERGY-WATER NEXUS

It is easy to oversimplify the role of water in our everyday lives and miss the important connections it has to critical global issues. Water is one element of the food-water-energy nexus, a shared intersection of challenges and trade-offs on resource use. Our ingredients, our operations, and our products' requirement for water consumption place us squarely as an actor in this complex space.

As part of our focus on water stewardship, we are engaged in a multi-faceted effort to address the long-term, interconnected challenges of the water crisis. We have a long history of community engagement on water, food systems, and climate change. We recognize that these elements are all intertwined — and are all critical to building resilient communities.



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). The majority of the water that is saved is associated with the large amounts of rainwater needed for coffee cultivation.

WATER POLICY

In 2014, we updated our [Water Policy](#) to underscore our recognition of water as a critical natural resource and to highlight our commitments in several key focus areas:

- Expanding access to clean water
- Protecting water resources
- Fostering innovation
- Raising awareness of our collective impact
- Collaborating with others to amplify the positive contributions we make.

OVERVIEW

WATER STEWARDSHIP

Water in Our
Value Chain

Our Balance
Target

Water
Partnerships

Engagement

CURRENT 2014

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

Key results of the footprinting include:

- 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 footprint is 0.8% of our total enterprise water footprint. Within that portion, our operations, including our manufacturing plants and offices, account for 0.2% of the blue water we consume.
- 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 assessed as part of the study but is an aspect under consideration related to cultivation, wet milling, and brewer manufacturing. We plan to evaluate water quality in more depth so we can incorporate related considerations into our water stewardship framework.

Definitions

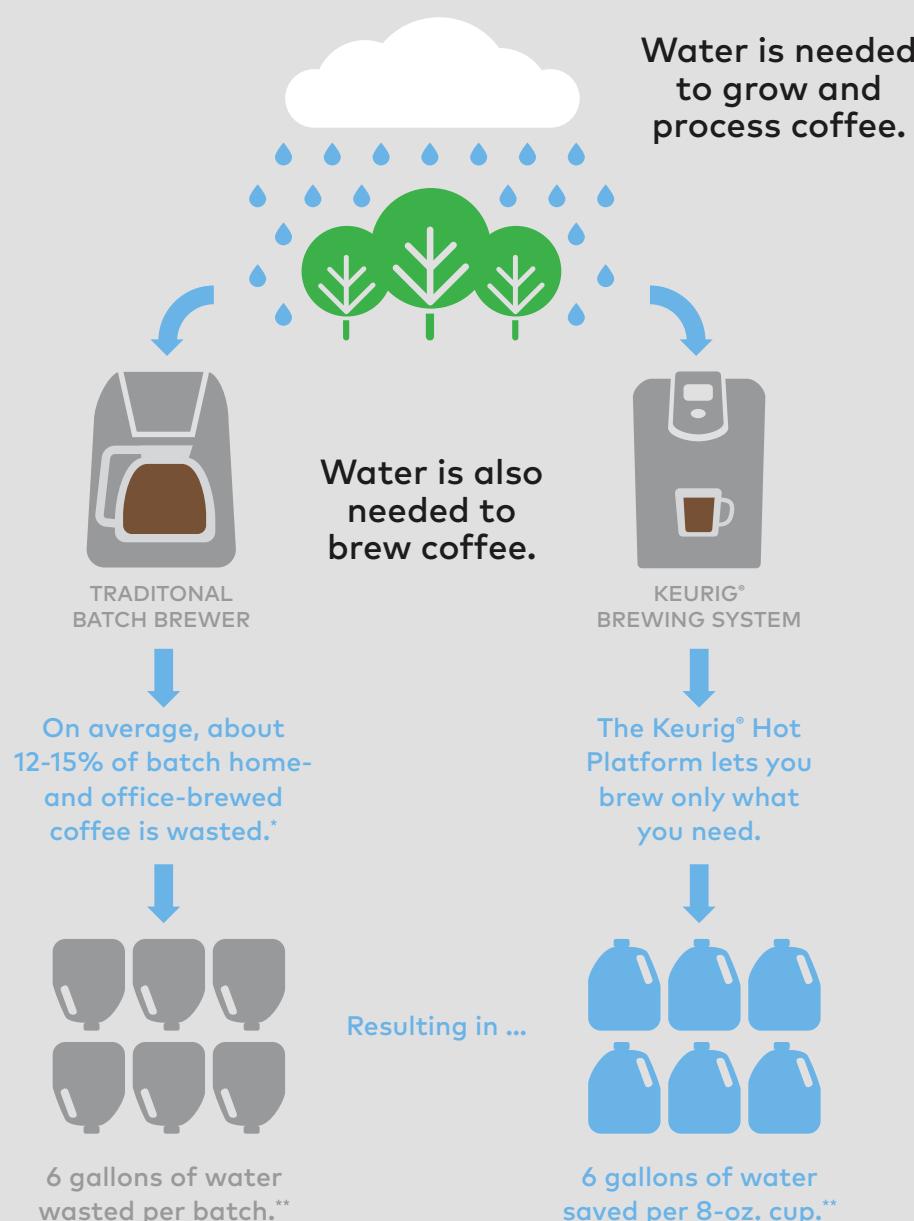
Green Water: Rainwater consumed

Blue Water: Surface or groundwater consumed

*Keurig/Godfrey Study Waste Coffee, May 2009.

**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.

WASTED COFFEE = WASTED WATER



OVERVIEW

WATER STEWARDSHIP

Water in Our
Value Chain

Our Balance
Target

Water
Partnerships

Engagement

CURRENT 2014

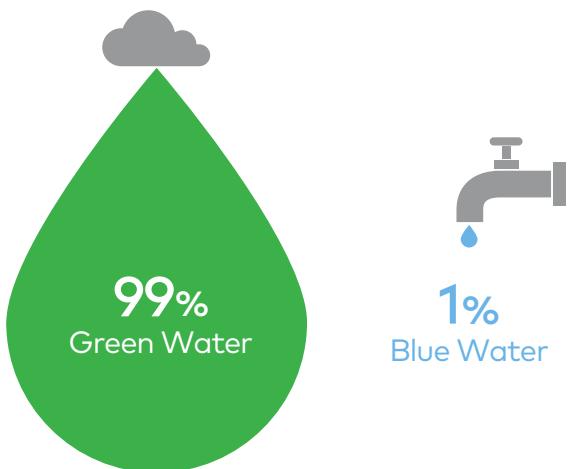
RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

OUR WATER FOOTPRINT

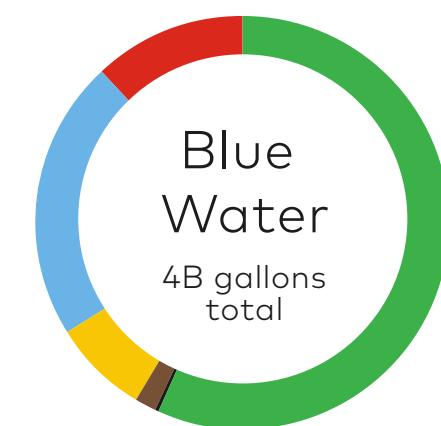
Corporate Water Footprint (overall)



Action Plan

Though our blue water footprint is small compared to the entire value chain footprint, we have a responsibility to be good water stewards, and we have a unique opportunity to connect with our consumers who use water to brew beverages with our Keurig® system. Our product enables consumers to conserve water, adding up to a significant water savings over the lifetime of the appliance. And the water that goes into a cup is just as important as the water that doesn't. We're looking at ways to help consumers understand more about where their water comes from and to connect them more deeply to concerns over water scarcity and water quality. We will begin this journey through implementation of our new water balance target.

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%

We will continue to measure, manage, and become more efficient in our water use in our facilities and our agricultural supply chain, while also taking steps to balance the water volume of our brewed beverages.

*Percentages do not total 100% due to rounding.

OVERVIEW

WATER STEWARDSHIP

Water in Our
Value Chain

Our Balance
Target

Water
Partnerships

Engagement

CURRENT 2014

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

OUR BALANCE TARGET

Given the local nature of water — distribution, access, and quality issues are unique to local conditions and communities — it is important to take action “at home.” Keurig Green Mountain’s new water balance goal was designed to address this. We have developed a new 2020 target to balance the water used in our 2020 brewed beverage volume of all our beverages, ounce for ounce. In other words, for every cup our consumers brew, we will restore the same amount of water for natural and community uses.

We are developing quantifiable projects in North America with an emphasis on those that build or promote natural infrastructure, provide source water protection, and restore riparian (e.g., river and streambank) zones and urban waters. We expect to work in communities that support our operations, our consumers, and our suppliers.

As we begin to plan our balance projects, we are keeping in mind principles important to sound water management and to our business. Namely, we will focus on projects that have local relevance and are of importance in a given watershed, that are robust and durable for the long term, and that embed education and outreach to raise awareness of and action for water issues. We will seek to have the greatest improvement impact possible by working with others and continuing our partnership approach.



2020 Target

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

WATER PARTNERSHIPS

Addressing the long-term challenges of the water crisis requires the insights and inputs of many. No single company can tackle it alone, so we team with organizations with complementary strengths to achieve our goals. Indeed, one of our four key corporate values focuses on partnership: **We partner for mutual success.**

Combined with our other key values — we innovate with passion; we play to win; we brew a better world — we have a powerful platform to engage partners across all sectors, identifying and creating innovative solutions to global water challenges in an effective and sustained way.

In fiscal 2014, we invested more than \$11 million in water partnerships with leading nonprofit organizations that are working in the United States and globally to promote water security. We are engaging with a mix of new and existing partners, 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 community river cleanups. We are creating many opportunities for our employees and communities to participate through volunteerism, product donations, and social media connections.

OVERVIEW

WATER STEWARDSHIP

Water in Our
Value Chain

Our Balance
Target

Water
Partnerships

Engagement

CURRENT 2014

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

Our 2014 investments supported four organizations, with the following results:

- **charity: water**, whose mission is to bring clean and safe drinking water to people in developing nations. Our \$3.4 million investment will provide clean water access to nearly 8,000 people in Rwanda and more than 75,000 people in Ethiopia. Of that amount, \$743,000 was used in a consumer campaign where fundraisers could unlock donations from Keurig Green Mountain to fund clean water projects in Ethiopia. That campaign went on to raise a total of \$1.9 million that will provide more than 64,000 people with clean water. The funds in Rwanda, garnered from various activations within the Keurig community, will sponsor 14 water projects.
- **Global Water Initiative (GWI)**, which was created by the Howard G. Buffet Foundation in partnership with CARE, Catholic Relief Services, the International Institute for Environment and Development, and the International Union for Conservation of Nature, to focus resources and expertise on the efficient and equitable use of water resources for agricultural production to improve food security, resiliency, and sustainability for communities. Our investment of \$2.7 million went to two initiatives: one that aims to improve the quality and quantity of water for 150,000 people in coffee-growing areas of Central America (link to RSC Blue Harvest section); and another that advocates for water-smart agricultural practices, especially in rain-fed farming (like coffee) so agricultural water is used more productively and sustainably. Both initiatives seek to ultimately improve the livelihoods of smallholder farmers by increasing water security within communities.
- **Raise the River**, a coalition of leading conservation nongovernmental organizations (NGOs) working within a landmark United States-Mexico policy framework to restore the once lush and vibrant Colorado River Delta by reconnecting the Colorado River to the Gulf of California. Our \$4.8 million investment supported watershed restoration and purchase rights of land along the Colorado River. The restoration of the flow of water through the Delta will result in water restoration benefits that we intend to include in our water balance efforts. Additionally, we have learned from the expertise of the Raise the River partners and have a deeper understanding of the important link between policy and action for cross-boundary water stewardship.
- **American Rivers**, a nonprofit organization that protects wild rivers, restores damaged rivers, and conserves clean water for people and nature. American Rivers is a long-standing partner of Keurig Green Mountain; our direct investment in the organization's work totals \$920,000 since 2006 and includes 30 watershed restoration events involving both our employees and communities. Our fiscal year 2014 \$750,000 investment via American Rivers has so far supported five river cleanup events in our areas of operation as well as three water restoration events with 600-plus volunteers in Miami, New York City, and Los Angeles. Within a total annual investment in American Rivers, a portion of the dollars are re-granted to local water-focused organizations that actually facilitate on-the-ground restoration events. Looking forward to fiscal 2015, this investment will continue to support more water restoration events and projects via the local grants.

OVERVIEW

WATER STEWARDSHIP

Water in Our
Value Chain

Our Balance
Target

Water
Partnerships

Engagement

CURRENT 2014

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

ENGAGEMENT

Our stewardship approach includes targeted activities that engage our employees and our 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.

For our consumers, we seek to engage through our products and social media. 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. 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 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.

Our consumer-focused water efforts in fiscal 2014 included work with two of our partners: charity: water and American Rivers. We conducted two campaigns in partnership with charity: water to bring clean and safe drinking water to people in developing nations, including Rwanda and Ethiopia, countries from which we source coffee.

VERMONT PARTNERSHIP

In early calendar 2015, Keurig Green Mountain, Inc. and the State of Vermont announced a partnership to address water quality throughout the state, including the impacts of phosphorus run-off on Lake Champlain. We are making a strong commitment to Vermont water quality with investments up to \$5 million, all of which will be matched by the State of Vermont or other funders. We look forward to sharing updates on this partnership as it develops.

OVERVIEW

WATER STEWARDSHIP

Water in Our
Value Chain

Our Balance
Target

Water
Partnerships

Engagement

CURRENT 2014

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

In July we launched the #BrewViewGive campaign, through which we encouraged consumers to watch, like, share, and comment on a short [YouTube video](#) about charity: water's work to provide access to clean water in Rwanda. For each action consumers took, they unlocked one dollar of Keurig Green Mountain funding. In addition, we reached out to 100 influencers to host "Brew and View" parties to raise awareness and money for the cause of bringing clean water to Rwandans. Each host was provided a Keurig® brewer. For every "Brew and View" party hosted, Keurig Green Mountain donated \$1,000 to charity: water. We also held two awareness-building events for employees at our Vermont and Massachusetts locations. These consumer and employee-focused initiatives resulted in unlocked funds of more than \$500,000 from Keurig Green Mountain in support of charity: water's work in Rwanda. The idea is not just to donate money to a charity doing good work but to put our dollars to work and engage, activate, and inform a much wider population of people in and beyond the Keurig® system.

In early fiscal 2015 we launched the "Double Your Impact" initiative with charity: water to raise awareness and funds for clean water in Ethiopia. From October through December 2014, every dollar raised for Ethiopia through individual fundraising campaigns on [charitywater.org](#) released a donation from Keurig for the same amount, up to \$740,000.

Campaigners had the chance to double their impact to charity: water to bring clean water to communities in Ethiopia, where more than half the population lacks access to clean water. Most rural families survive on less than 5 liters of water per day, walking up to four hours to collect it from rivers, swamps, and other open sources.

"I hosted a viewing last week. I gathered 31 Marines from work in Cherry Point, N.C., and showed the video and had a discussion about the water crisis and what Keurig is doing to make a difference. They all enjoyed the event — and the coffee, of course. I have another large event planned for this coming week!"

— GARRET, North Carolina

The initiative was shared on Keurig's social media properties, including Facebook, Twitter, and Instagram, resulting in a combined reach of over 2 million individuals. We also worked with our marketing teams to spread the word beyond social media. In total, more than 1,000 charity: water campaigners and individual contributors donated and unlocked \$740,000 in funds from Keurig Green Mountain that resulted in a total of \$1.9 million being raised by donors and overall for clean water in Ethiopia — a total that exceeded the "unlock" from Keurig. These efforts not only helped to raise money for communities, but also raised awareness among our consumers of the global water crisis. As part of our Water Stewardship approach, we'll continue to engage our consumers on important water issues such as this in the future.

In addition to helping to provide access to clean, safe drinking water around the world, Keurig Green Mountain is committed to restoring and protecting watersheds. (See the [Thriving Communities](#) section for information about our employees' volunteer efforts around water).

OVERVIEW

WATER STEWARDSHIP

Water in Our
Value Chain

Our Balance
Target

Water
Partnerships

Engagement

CURRENT 2014

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

CURRENT 2014

Water resource issues are complex and require collective action. Keurig Green Mountain has an incredible network of partners within and beyond industry with deep expertise in water stewardship. How can we use our unique position at the center of a beverage system to convene and help to facilitate action? We set out to explore this dynamic when we hosted our first annual water summit, CURRENT: Collaboration for a Water-Secure World, in the fall of 2014. The intent was to stimulate conversations, collaboration, and problem solving around the global water crisis.

Over two days in September 2014, we convened more than 130 leaders from the private, public, and NGO sectors. The summit sought to identify opportunities to overcome barriers and collaborate on solutions, generating conversations at the intersection of water, innovation, and learning.

As a beverage company with dozens of business partners, Keurig Green Mountain has a convening power that was untapped before the summit — a power that we now recognize as one of the most important ways we can contribute to solutions to water challenges. Our DNA is built on partnerships.

As we partner with other companies, including competitors, to bring consumers the beverages they love, we can simultaneously collaborate with our large, powerful global partners to use disruptive, innovative thinking and coordinated action to effect change around resource use.

"We know that it's relentless incrementalism that wins — getting one inch better every day. That's the way we built our business over the years, and that's what we'll do on water."

— BRIAN P. KELLEY, President and CEO,
Keurig Green Mountain



OVERVIEW

WATER STEWARDSHIP

Water in Our
Value Chain

Our Balance
Target

Water
Partnerships

Engagement

CURRENT 2014

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

CURRENT 2014

Among the key themes and takeaways from the conference:

- Water is a global issue, but the concerns and actions are "hyper local" and there is no one-size-fits-all solution.
- Water is also a galvanizing issue, capable of bringing together some of the most powerful corporations and thought leaders to address truly collaborative and ongoing processes for change.
- Innovation will play a significant role in solutions for water security.
- Water is undervalued in the marketplace. The lack of economic drivers to save water poses a significant challenge to stewardship.
- Climate change is adding uncertainty to an already complex challenge. Water compromises will be a byproduct of climate change. It's essential that we find cleaner ways to power the future.

We are looking forward to hosting another invitation-only CURRENT summit in September 2015.



"Water quality is deteriorating and quantities around the world are under greater pressure. So we need great minds to actually start imagining how do we manage this great resource. This is the first CURRENT conference from Keurig Green Mountain. You've got the smartest people in the water sector in the world. You have everything from nonprofits to philanthropists to companies at the cutting edge of water conservation and water access."

- NED BRESLIN, CEO, Water For People



OVERVIEW

WATER STEWARDSHIP

**RESILIENT
SUPPLY CHAIN**

Our Supply Chain

Responsible
Sourcing Supplier
Guidelines

Supplier
Assessments

Collaboration

Beverage
Ingredient
Sourcing

Supply Chain
Outreach

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

Resilient Supply Chain



OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

Our Supply Chain

Responsible
Sourcing Supplier
Guidelines

Supplier
Assessments

Collaboration

Beverage
Ingredient
Sourcing

Supply Chain
Outreach

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

Our supply chains span distinct worlds, from farms around the globe to manufacturers in Asia and Europe. Accounting for the vast differences among our suppliers, Keurig Green Mountain is committed to building resiliency across our supply chains by addressing social, environmental, and business challenges in a holistic way.

Through our Company's supply chain outreach and responsible sourcing programs, we work to provide our suppliers, their employees, and their communities with the skills and tools to build a foundation of resilience that will improve their business practices and their employees' livelihoods while simultaneously building a long-term, sustainable supply of high-quality products and ingredients for our consumers for years to come.

A resilient supply chain is essential to the long-term viability of our business. Our supply chain relationships offer us an understanding of the challenges our supply chain communities face and insight into how to address them.

Two of our Company's targets, which we aim to achieve by 2020, are designed to enhance the resiliency of our supply chain:



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 Supplier Guidelines.

During fiscal 2014, Keurig Green Mountain worked toward these targets by integrating responsible sourcing practices and supply chain outreach into procurement strategies. We released an updated version of our Responsible Sourcing Supplier Guidelines and worked to communicate them across our supply chain. The guidelines underpin our efforts to help our suppliers meet our high standards for quality, safety, and social and environmental responsibility. We also developed a new data management tool — the Sustainability Performance Management System (SPMS) — that will streamline our efforts to track, measure, and communicate the impact of our sustainability work. We continued our work to build collaboration among our suppliers through Manufacturing Summits and coffee-focused Intercambio events.

Outreach to suppliers and their communities builds upon the foundation of responsible sourcing. In recent years, our supply chain outreach work to improve livelihoods has focused on three areas where we can make the greatest impact: climate change and water and food security. A resilient supply chain means that there is sufficient water not only for agricultural processes including local food production, but also enough water at the right time and in the right place for farmers,

*See the Water Stewardship section for a discussion of our new combined target.

OVERVIEW

WATER STEWARDSHIP

RESILIENT SUPPLY CHAIN

Our Supply Chain

Responsible
Sourcing Supplier
Guidelines

Supplier
Assessments

Collaboration

Beverage
Ingredient
Sourcing

Supply Chain
Outreach

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

production workers, and their broader communities to thrive. With our commitment to water stewardship, Keurig Green Mountain is harnessing our strengths of innovation and sustainability to conserve and protect water as a natural resource and to promote equitable access to clean water.

As important a role as water plays in our supply chain work, it is just one element of the food-energy-water nexus. And all of these elements, as well as the integrity of entire ecosystems, are threatened by [climate change](#). Keurig Green Mountain is well aware of the risks that climate change poses not only to our business but also to the people and communities at every level of our supply chain. We have a three-pronged strategy of adaptation, mitigation, and engagement to make our supply chain more resilient in the face of a changing climate. The adaptation initiatives we have undertaken include providing training for coffee farmers to improve yields, optimize water use, diversify crops, and adjust to changing local weather conditions, as well as investing in research to develop different varieties of coffee plants that are better suited for changing climate and weather conditions.

Improving livelihoods within our supply chain is essential in helping to ensure a long-term, consistent supply of high-quality products from all areas within our supply chain. Since we know that many small-scale coffee farmers struggle with poverty and food security, we have a vested interest in their success and resiliency. We believe that improved livelihoods will help farmers stay on their farms and re-invest in their coffee. This can also create an economic incentive for the next generation to pursue farming, rather than migrate to urban centers. We believe our commitment beyond the commercial transaction increases supplier loyalty and enhances our reputation both at product source and in the market.

Through our Responsible Sourcing Supplier Guidelines, supplier assessments, collaboration initiatives, outreach programs, and a drive to make sustainability everyone's job, we are making progress every day toward building a more resilient supply chain and brewing a better world — everywhere we work, source, and manufacture.

SUSTAINABILITY PERFORMANCE MANAGEMENT SYSTEM

Since we announced our 2020 targets, we have been developing a centralized data management tool — the Sustainability Performance Management System (SPMS) — to help us measure in detail the progress we are making toward our sustainability targets, including those specific to a resilient supply chain. We expect to be able to report more robustly on our progress toward our goals in our fiscal 2015 report.

The new system is customized as a two-way communication platform between Keurig Green Mountain and our global supply chains, enabling active interaction with our suppliers and data collection capabilities to support and measure the impact of our responsible sourcing work. We use the same system for operational metrics. The data we collect will provide us with greater visibility into social and environmental practices, both within our own operations and within our suppliers' operations. As we identify areas that fall short of our expectations, we will also be able to track improvements through the system.

During fiscal 2014, our work on the SPMS was centered on building the infrastructure, and communicating expectations for use, of the SPMS with implementation of our Responsible Sourcing Supplier Guidelines to Keurig Green Mountain employees and to our suppliers.

Our Supply Chain

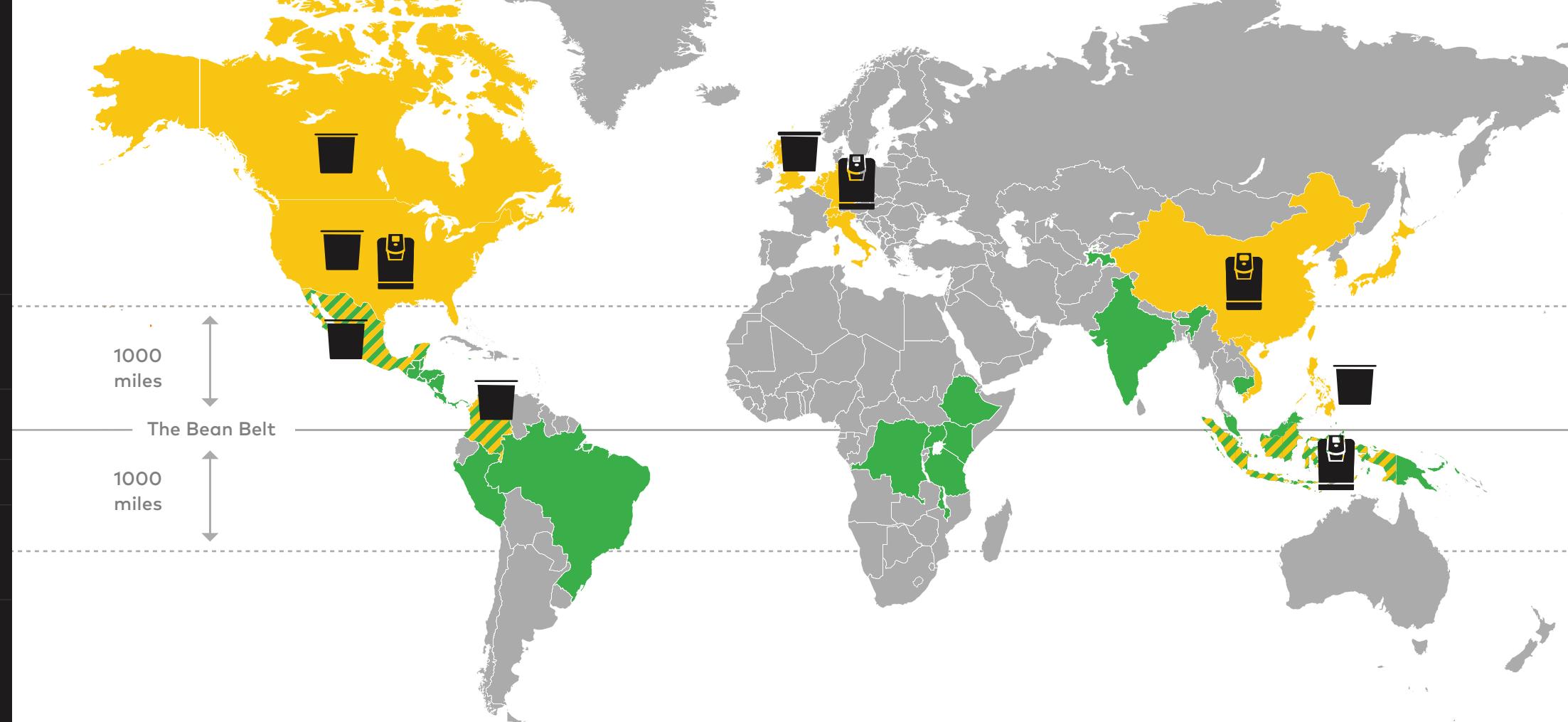
Responsible
Sourcing Supplier
Guidelines

Supplier
Assessments

Collaboration

Beverage
Ingredient
Sourcing

Supply Chain
Outreach



OUR SUPPLY CHAIN

The Bean Belt

Generally, coffee is grouped into three major growing areas: the Americas, Africa, and Indonesia, within 1,000 miles of the equator, in a band that circles the middle of the earth.

Packaging Sourcing

Plastic cups, filter paper, and materials for packaging our portion packs 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 local to Asia Pacific, the United States, and Europe.

■ Coffee Supply Chain

■ Sourcing

■ Packaging

■ Brewer

■ Coffee Supply Chain
and Sourcing

OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

Our Supply Chain

Responsible
Sourcing Supplier
Guidelines

Supplier
Assessments

Collaboration

Beverage
Ingredient
Sourcing

Supply Chain
Outreach

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

In fiscal 2014, we continued to integrate responsible sourcing initiatives into sourcing decisions, and we plan on further integration in fiscal 2015 including integration with our overall Supplier Relationship Management Program (see sidebar below). The introduction of our SPMS (see sidebar p. 40) will help us expand the scope of our assessments, connect our expectations with broader quality and procurement requirements, and allow us to view suppliers' performance across all dimensions in a single snapshot.

KEURIG GREEN MOUNTAIN'S SUPPLIER RELATIONSHIP MANAGEMENT PROGRAM

Our relationships with suppliers are key to meeting our high standards for quality, safety, and social and environmental responsibility. The Supplier Relationship Management Program brings together employees from across the organization, from appliance engineering to operations to quality, in order to holistically manage our relationships with suppliers. The program allows for comprehensive business evaluation of suppliers and gives each internal function a voice in deciding who does business with Keurig Green Mountain. Responsible sourcing is an integral part of this program. The continued integration of these programs will be critical to achieving our 2020 responsible sourcing target.

RESPONSIBLE SOURCING SUPPLIER GUIDELINES

We developed our Keurig Green Mountain Responsible Sourcing Supplier Guidelines in 2007 to promote social and environmental responsibility and respectful supplier working conditions. The guidelines direct our efforts

toward building resiliency in our supply chains, detailing Keurig Green Mountain's commitments and responsibilities while clearly communicating our suppliers' responsibilities for conducting business and management of their respective workforces. By improving our suppliers' performance, both Keurig Green Mountain's business and our suppliers' businesses benefit in the long term, with simultaneous benefits for the planet and its people.

In early 2014, after extensive internal discussion and external consultation, we released an updated version of the guidelines that includes greater definition of our expectations regarding migrant workers, child labor, business integrity, the rights of indigenous people, and raw material sourcing (including conflict minerals). The guidelines are applicable to all aspects of our supply chain and align with international standards, including the following:

- International Labor Organization (ILO) Conventions and Recommendations
- United Nations Universal Declaration of Human Rights
- United Nations Millennium Development Goals
- United Nations Global Compact
- Ceres Principles
- Sustainable Agriculture Network
- Fairtrade Labeling Organizations International (FLO) Standards
- Stockholm Convention, Rotterdam Convention on Persistent Organic Pollutants.

OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

Our Supply Chain

Responsible
Sourcing Supplier
Guidelines

Supplier
Assessments

Collaboration

Beverage
Ingredient
Sourcing

Supply Chain
Outreach

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

We want to be sure that suppliers fully understand our guidelines and how to align their practices so they are in accordance with internationally recognized standards and, thus, our expectations. To achieve this, we dedicated much of our work in fiscal 2014 to communicating the guidelines across our supply chains. We delivered them to our 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. In fiscal 2015, and every year thereafter, every direct supplier will be asked to read, acknowledge, and agree to adhere to our guidelines.

Our intention is that, over time, we will build deeper awareness of our responsible sourcing practices further and further into our supply chains. By applying these guidelines to all of our suppliers, from source to cup, we expect to support the creation of 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.

Also in fiscal 2014, we continued to expand the languages we publish our guidelines in, which now include French, simplified Chinese, and Spanish. These languages represent the majority of local languages in countries where we source or manufacture. (Find our [responsible sourcing guidelines](#) on our website).

The Supplier 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.

As we have been communicating the details of our supplier guidelines and our expectations and commitments to our supply chain, we have also been revising our assessment protocol to evaluate suppliers' social and environmental performance against our expectations. Our protocol is informed by the same international standards that shaped our guidelines, with much coming from the ILO. (Learn more in the [Supplier Assessments](#) section of this report).

OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

Our Supply Chain

Responsible
Sourcing Supplier
Guidelines

Supplier
Assessments

Collaboration

Beverage
Ingredient
Sourcing

Supply Chain
Outreach

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

Raw Materials Sourcing and Conflict Minerals

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. 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.

More specifically, we support ending the violence and human rights violations in the mining of certain minerals from a location described as the Conflict Region, which is situated in the eastern portion of the Democratic Republic of the Congo (DRC) and surrounding countries. The United States Securities and Exchange Commission (SEC) adopted final rules to implement reporting and disclosure requirements related to conflict minerals, as directed by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The Dodd-Frank Act requires that all publicly traded companies subject to SEC rules report annually on the presence of conflict minerals in the products they manufacture or contract to manufacture, and demonstrate the proper level of due diligence in determining whether these minerals originated from the DRC or an adjoining country or from scrap or recycled sources.

Read more about our efforts to ensure that no conflict minerals are present in our supply chain on the Keurig Green Mountain [website](#).

WHAT WE LEARNED FROM OUR FIRST YEAR OF CONFLICT MINERALS REPORTING

In May 2014, Keurig Green Mountain filed our first conflict minerals [report](#) with the SEC. As part of our due diligence process, we surveyed 280 of our suppliers determined to be providing material that could potentially contain tin, tantalum, tungsten, or gold and received a range of responses. To survey suppliers, we used a tool developed by the Conflict Free Sourcing Initiative (CFSI), which was founded by the Electronic Industry Citizenship Coalition and Global e-Sustainability Initiative. This template is known as the Conflict Minerals Reporting Template (CMRT). We concluded that we did not have sufficient information to describe or identify all facilities used to process, or to determine the country of origin of, the conflict minerals in our products.

Internally, we are seeking solutions to automate our survey review process, a shift that will enable us to more efficiently track and analyze the information we have received and to identify what information we are still missing, or requires follow up. We are also benchmarking our program against our peers, in part by comparing our efforts to a white paper produced in 2014 by Schulte Roth & Zabel and the CFSI that details the work other companies have already done on conflict-free sourcing and outlines industry best practices. We also continue to review the Organization for Economic Cooperation and Development Due Diligence Guidance to identify gaps in our program and areas for improvement. With this knowledge, we will develop an action plan and timetable for continued implementation of our conflict mineral due diligence framework.

In order to reduce the risk that our supply chain includes minerals that are contributing to armed conflict in the DRC and adjoining countries, we will continue to engage with our suppliers to get the most current, accurate, and complete information about our supply chain, and encourage our suppliers to implement due diligence efforts further up the supply chain including working with their suppliers to source from conflict-free smelters.

OVERVIEW
WATER STEWARDSHIP

RESILIENT SUPPLY CHAIN

Our Supply Chain

Responsible Sourcing Supplier Guidelines

Supplier Assessments

Collaboration

Beverage Ingredient Sourcing

Supply Chain Outreach

SUSTAINABLE PRODUCTS

THRIVING PEOPLE AND COMMUNITIES

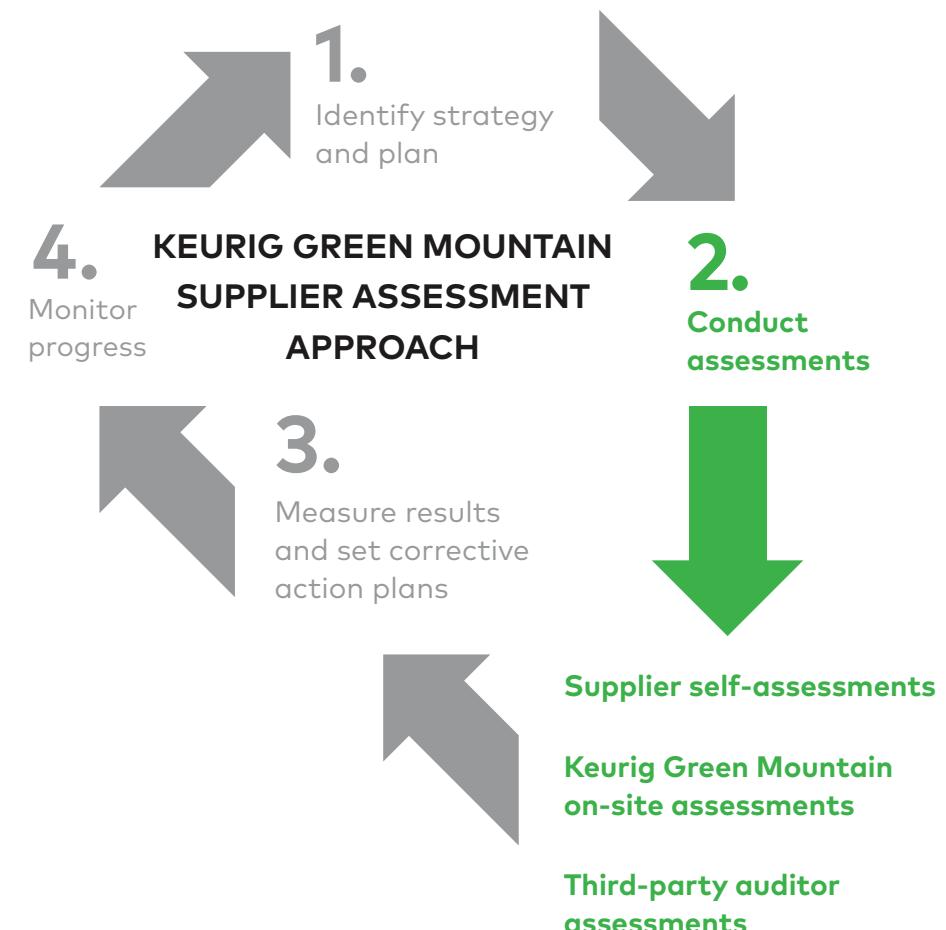
SUPPLIER ASSESSMENTS

A key aspect of our supply chain work is our process for assessing our suppliers' alignment with our responsible sourcing expectations. When suppliers fall short of our Responsible Sourcing Supplier Guidelines, we work closely with them to identify the root causes of any shortcomings and identify plans to correct and prevent them in the future. Our staff spends time on the ground with workers and managers to understand how to best implement those plans. This approach is summarized in the graphic below. We use three types of assessments to understand and promote continuous improvement of our suppliers' practices and operations: self-assessments, which are filled out by the supplier; on-site assessments performed by Keurig Green Mountain; and assessments performed by third-party auditors. Our on-site and third-party assessments include a range of activities, such as interviewing managers and workers, reviewing relevant supplier documents, and touring a supplier's production facilities and employees' on-site housing accommodations if applicable.

We consider all of our assessments to be tools that provide the foundation for a dialogue with suppliers about responsible working conditions and environmental management. Key areas of focus for the assessments are labor — including the respect of human rights — and environmental practices. In combination, these assessments provide us with an opportunity for in-depth understanding of our suppliers, their business operations, and the local laws,

regulations, and culture. Armed with firsthand knowledge, we tailor our assessment approach and any corrective action plans stemming from the assessments to maximize our engagement efforts and positive impacts.

To make sure we work on the most pressing social and environmental concerns within our supply chains, we prioritize suppliers and identify which assessment, or combination of assessments, will be most useful in understanding and addressing any issues.



OVERVIEW
WATER STEWARDSHIP

RESILIENT SUPPLY CHAIN

Our Supply Chain

Responsible Sourcing Supplier Guidelines

Supplier Assessments

Collaboration

Beverage Ingredient Sourcing

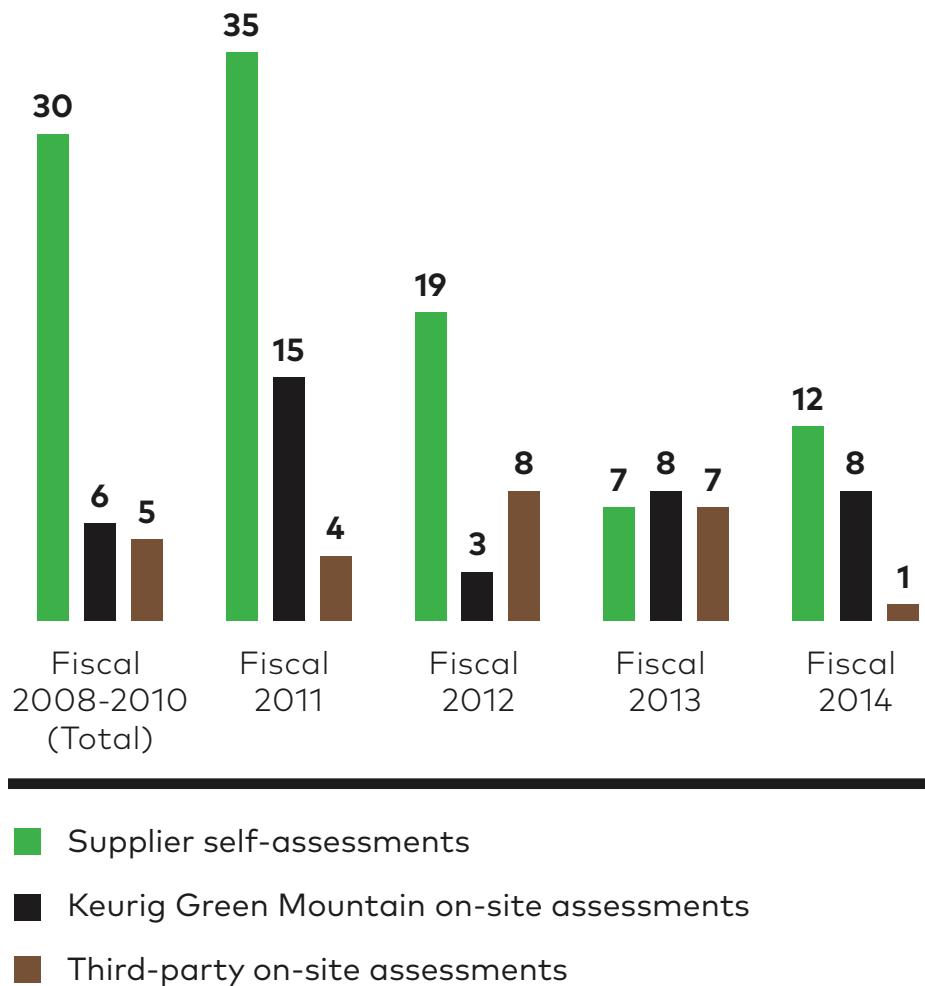
Supply Chain Outreach

SUSTAINABLE PRODUCTS

THRIVING PEOPLE AND COMMUNITIES

The table below demonstrates the evolution of our assessment program over the past seven years.

SUPPLIER ASSESSMENT PROGRAM



We expanded our focus in fiscal 2014 to include the development of our Sustainability Performance Management System (SPMS) as well as policy and procedures for auditors and suppliers. Our standardized assessment protocol for manufacturing suppliers was developed based on a combination of industry standards, and we are in the process of developing a similar protocol for agricultural suppliers. Our new and improved assessment protocol, along with our SPMS, will help us more efficiently and effectively reach our 2020 targets and deepen the impact we can make in the supply chain. We expect to see a significant increase in assessments conducted starting in fiscal 2015 when we begin to roll out the system and updated procedures.

We believe our assessment approach has already resulted in a range of improvements within our supply chains, including:

- Improved workers' awareness of their rights
- Heightened protection for migrant workers
- Reimbursement of money owed to workers
- Elimination of discriminatory employment practices
- Provision of benefits entitled to workers by law.

In fiscal 2015 we will kick off our first assessments with agricultural suppliers, initially focusing on coffee farms.

Even as we increase our ability to efficiently and comprehensively assess each of our suppliers, we recognize that assessing suppliers is not an end in itself. That is why we are constantly engaging with suppliers through a range of activities, including both informal conversations and formal events such as our International Manufacturing Summits and Intercambio events. These two-way dialogues help us gain

OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

Our Supply Chain

Responsible
Sourcing Supplier
Guidelines

Supplier
Assessments

Collaboration

Beverage
Ingredient
Sourcing

Supply Chain
Outreach

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

insight into our suppliers' operations and understand how we can support them to meet our expectations. One way that we address these insights is through our [supply chain outreach](#) efforts, which provide necessary resources to address the systemic causes of persistent challenges such as poverty, climate change, and water insecurity.

COLLABORATION

At Keurig Green Mountain, one of our core values is that we partner for mutual success. We recognize that we would not have achieved our Company's successes without the work of many other parties; by working with our suppliers, as well as with our industry peers, we are better able to improve standards — and resulting conditions — for everyone.



Manufacturing Summits

Since early 2012, Keurig Green Mountain has hosted annual International Manufacturing Summits for our Asian appliance-manufacturing partners. Through this platform, we convene key contract manufacturers — some of which compete against each other for the same business — to share their successes, challenges, and best practices. The summits, which include presentations from Keurig Green Mountain staff as well as each attending manufacturer, provide an opportunity for us to connect with our supply chain partners on important issues, such as our Responsible Sourcing Supplier Guidelines, maintaining and improving product quality, and discussing new technologies to help these manufacturers build our Keurig® brewers.

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. During the October 2014 Manufacturing Summit, we discussed progress on key responsible sourcing initiatives across our partner network and conducted a workshop on "Young Workers and Frontline Managers in the Chinese Supply Chain."

Through these summits, we are able to collectively advance manufacturing innovations and responsible sourcing best practices by bringing competing manufacturers together to collaborate on solutions to common challenges.

Intercambio Events

Keurig Green Mountain has been engaged for many years in the communities at the roots of our coffee supply chain. We value the expertise of our coffee suppliers — both importers and farmers — in helping us to address the issues that most affect the quality of life in coffee communities, as well as the quality of crops they produce. In order to share best practices, strengthen our relationships with our suppliers, and create higher-quality products in the process, Keurig Green Mountain has created an innovative platform for exchange among its coffee supply chains: Intercambio ("exchange" in Spanish) events.

Our Intercambio events are unique in our industry, and we have been hosting regular events since 2012. Where other coffee-industry gatherings are focused on specific markets or single importers, we go to great lengths to bring together top-level Keurig Green Mountain personnel with stakeholders at every step of the coffee supply chain. We convene our importers



from the host region, as well as exporters, coffee co-op leadership and quality managers, staff from regional and international NGOs, and representatives from financial institutions.

During these meetings, we talk about quality standards, conduct business reviews, address challenges, and celebrate our successes, giving awards to those suppliers that best meet our quality and performance expectations. These events are an efficient way to manage our business in a particular region and highlight the importance of transparency and collaboration in a face-to-face setting. While these events cover our entire coffee network, Fair Trade USA has been a special valued partner in many of our Intercambio events, furthering our connection to our farmers through our fair trade coffee purchases.

"Thanks to Keurig Green Mountain for being open to listening to our challenges and being one of the first companies that wants to listen to us. It's a new model for us. Very few companies, nearly none, do this. This Intercambio for us has been very important to be able to explain what we do and how, and what our needs are. We feel that Keurig Green Mountain is going to take into account our challenges and that a plan for all of us is going to come out of it."

— VERA ARREAGA, of La Federación Comercializadora de Café Especial de Guatemala, pictured at left accepting an award for quality on behalf of her cooperative at the Keurig Green Mountain Intercambio event in Guatemala.

OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

Our Supply Chain

Responsible
Sourcing Supplier
Guidelines

Supplier
Assessments

Collaboration

Beverage
Ingredient
Sourcing

Supply Chain
Outreach

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

In fiscal 2014 and into early fiscal 2015, Keurig Green Mountain hosted three Intercambio gatherings, in Sumatra, Colombia, and Guatemala. At our 2014 Colombia Intercambio, we brought 185 stakeholders together with 13 Keurig Green Mountain employees, including senior leadership. During the three-day event, participants engaged in these activities:

- 37 one-to-one business reviews between Keurig Green Mountain and our suppliers
- Eight calibration trainings, where our professional coffee tasters sampled coffees with our suppliers to discuss quality standards and ratings
- Four financial and risk-management trainings where our expert staff offered free recommendations to suppliers on how to best navigate their businesses through the volatile price swings that characterize the international coffee market.

"The Keurig Green Mountain Intercambio events set the standard as the most unique and engaging privately held coffee forums, focusing both on relationship management and true price transparency. There is no peer in the coffee industry today."

— JAIME POLIT, Be Green Trading

Industry Partnerships

Beyond our relationships with our own suppliers, Keurig Green Mountain is active in a number of industry groups that bring our peers together to collaborate on the mutual challenges we face, share the best practices we have developed, and learn from our peers' experiences.

In fiscal 2014, we continued to be 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. The more we can align with our peers on these important and challenging areas, and the more we can pool resources and communize expectations, the more we and our suppliers will benefit by reducing audits of suppliers and the resources required of individual companies to provide training and engagement opportunities to global suppliers. Our goal is to continue building a strong relationship with AIM Progress in fiscal 2015 and participate in even more events where our suppliers will benefit from our industry partnership.

Keurig Green Mountain has also been engaged in several other industry partnerships during fiscal 2014, including the Coffeelands Food Security Coalition, the Sustainable Food Lab, World Coffee Research, and the Coffee Farmer Resilience Initiative. See our [slideshow](#) highlighting activities from these partnerships and more.

OVERVIEW

WATER STEWARDSHIP

**RESILIENT
SUPPLY CHAIN**

Our Supply Chain

Responsible
Sourcing Supplier
Guidelines

Supplier
Assessments

Collaboration

Beverage
Ingredient
Sourcing

Supply Chain
Outreach

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

BEVERAGE INGREDIENT SOURCING

At Keurig Green Mountain, we use the power of our business to make the world a better place. This value is especially evident in the high-quality, sustainably sourced products we invest in and provide to our consumers. Across our line of beverages, we aim to responsibly source ingredients.

In fiscal 2014 we continued our work with coffee certification programs and industry groups to make our products more sustainable for people and the planet. Keurig Green Mountain is proud to be a leading supporter of products that have earned [Fair Trade](#), [organic](#), and [Rainforest Alliance](#) certifications. Since we started purchasing Fair Trade Certified™ coffee back in 2000, we have been steadily increasing our pounds purchased. We remain one of the world's largest purchasers of Fair Trade Certified™ coffee. In fiscal 2014 alone we purchased more than 40 million pounds of Fair Trade coffee, delivering more than \$25 million in community development premium funds for coffee farmers and their families.

Fair Trade is one element of our mission to build a resilient supply chain. It helps ensure a stable supply of high-quality coffee for our customers and consumers, and contributes to a higher quality of life for our suppliers.



And for the first time, in fiscal 2014 we expanded our Fair Trade product offerings beyond coffee to include tea. We partnered with Bigelow® and Celestial Seasonings® to offer the first Fair Trade Certified™ hot teas in K-Cup® packs for the Keurig® brewing system. The companies converted two of their best-selling tea products — Bigelow® English Breakfast Tea and Celestial Seasonings® Green Tea — to Fair Trade Certified™, allowing the companies to make a positive impact on the lives of tea farmers and their communities. We also welcomed Honest Tea® as the first Fair Trade Certified™ tea K-Cup® packs in our Brew Over Ice collection. We are proud to work with partners who support certification for their products, such as Rainforest Alliance Certified™ Lipton® Teas.

OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

Our Supply Chain

Responsible
Sourcing Supplier
Guidelines

Supplier
Assessments

Collaboration

Beverage
Ingredient
Sourcing

Supply Chain
Outreach

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

Farm Identified Program

Key to our responsible sourcing efforts is the work we do with our coffee partners to boost traceability, transparency, and direct engagement with the various players that make up our coffee supply chains. As we further expand our product lines beyond coffee, we aim to broaden this work. As simple as it may sound to know where your products are sourced, the reality is that supply chain transparency is a sizable challenge for any company.

Keurig Green Mountain relies on several strategies to achieve traceability in our coffee supply chain. In addition to working with third-party certified products such as Fair Trade, our traceability program, the Farm Identified (Farm ID) program, provides another way we can engage and collaborate with our supply chain partners to trace non-certified commodities.

The Farm ID program is a cornerstone of our sourcing strategy — an alternative to conventional sourcing through the anonymous commodity market. It is based on a simple idea: When we know *who* produces our coffee, we are 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 commitment to sustainability. 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 cooperative or a specific mill, rather than down to an individual farm. We aim to improve this over time as both our, and the industry's, data tracking capability matures.

In fiscal 2014, we continued work on our Farm ID program, which has grown incrementally year over year. In fiscal 2013, 68% of all coffee pounds purchased were traceable; although our overall purchases of Farm ID coffees in fiscal 2014 increased, the percentage purchased decreased to 64%. This decline is due to a number of factors, including year-to-year changes in the mix of products we source, the regions from which we source, as well as challenges the industry faces, such as the coffee leaf rust disease — La Roya — that has severely impacted some coffee suppliers in Central and South America.

We aim to achieve 100% traceable United States coffee purchases by the end of 2016. In order to reach that goal, in early fiscal 2015, we began rolling out to some suppliers an updated version of our Farm ID guidelines that are both clearer and more rigorous. Another way we will reach our target is by conducting repeat business with suppliers. Keurig Green Mountain takes pride in the long relationships we develop with our suppliers: As of fiscal 2014, 72% of Fair Trade co-ops that we source from have been in our supply chain for five years or more.

These relationships also allow Keurig Green Mountain to understand in a holistic way the needs of and challenges facing our supply chain communities. Our relationships also give us the ability to provide aid where it's most needed, as we have in our work addressing the coffee leaf rust disease outbreak as well as food insecurity and water concerns in our agricultural communities. (For more, see the [Supply Chain Outreach](#) section).

OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

Our Supply Chain

Responsible
Sourcing Supplier
Guidelines

Supplier
Assessments

Collaboration

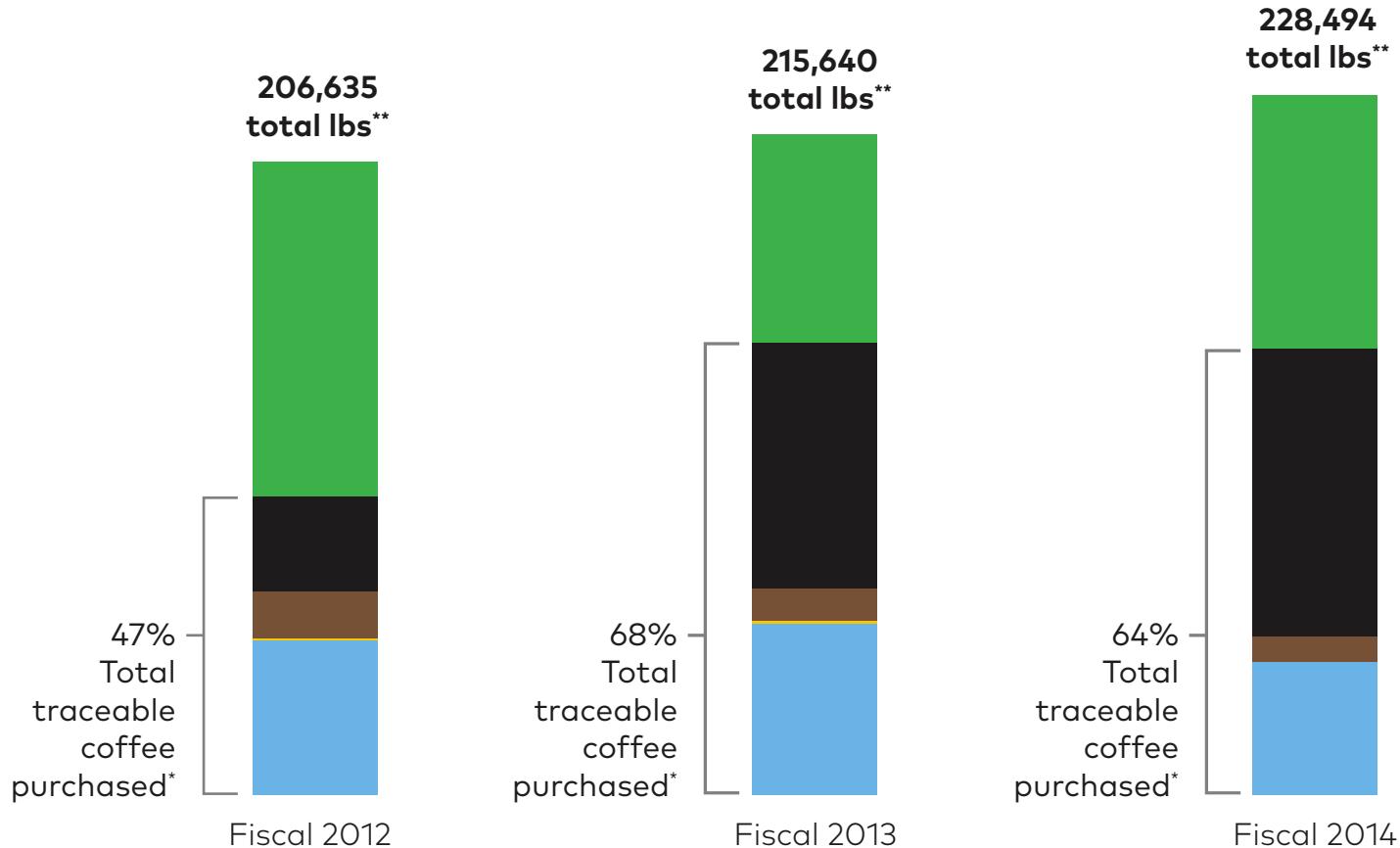
Beverage
Ingredient
Sourcing

Supply Chain
Outreach

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

COFFEE SOURCED (THOUSANDS OF LBS)



Conventionally Sourced	109,398	68,224	82,850
Farm Identified (no certification)	30,806	79,941	93,910
Rainforest Alliance Certified™	15,499	10,591	8,335
All Organic Certified (no other certification)	14	42	0
All Fair Trade Certified™	50,919	56,843	43,399

*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.

OVERVIEW

WATER STEWARDSHIP

RESILIENT SUPPLY CHAIN

Our Supply Chain

Responsible Sourcing Supplier Guidelines

Supplier Assessments

Collaboration

Beverage Ingredient Sourcing

Supply Chain Outreach

SUSTAINABLE PRODUCTS

THRIVING PEOPLE AND COMMUNITIES

SUPPLY CHAIN OUTREACH

The challenges — and opportunities — in our supply chain communities are complex and interconnected, whether they involve crop quality and harvest sizes, threats to food and water supplies in farming communities, or the increasingly clear impacts from climate change. That is why Keurig Green Mountain has been dedicated for years to building a holistic understanding of the needs of our supply chain communities and to supporting those communities in building a foundation of resilience that can see them through even the toughest challenges. In fiscal 2014, we worked to deepen the integration of shared priorities and opportunity for impact in the supply chain. As such, we have started to monitor new indicators to capture those direct and indirect business impacts in addition to livelihood impacts.



While the focus of these efforts has traditionally been on our coffee supply chains, a legacy of the leadership and vision of Green Mountain Coffee Roasters, we aim to expand these efforts to other key agricultural commodities as well as to manufacturing supplier communities. In fiscal 2014, we continued the series of life-skills trainings in our contract manufacturing communities that we launched in fiscal 2013. One of our large Keurig® brewer manufacturers in China hosted classes at four factories, reaching more than 1,000 workers per quarter with a goal of providing continuous education on fundamental livelihood needs and improving workers' confidence and morale.

We co-funded eight organic fertilizer plants with producer organizations in our supply chain. For one Peruvian coffee cooperative, their average productivity increased 23% with the use of organic fertilizer, while their fertilizer costs were reduced by 31%.

383.6K

People impacted through Keurig Green Mountain-funded partner projects

OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

Our Supply Chain

Responsible
Sourcing Supplier
Guidelines

Supplier
Assessments

Collaboration

Beverage
Ingredient
Sourcing

Supply Chain
Outreach

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

Going forward, we will concentrate our agricultural outreach efforts on projects in three areas that, together, can support improved farmer livelihoods: whole-farm planning and production, water stewardship and climate resilience, and strong rural organizations. Learn more about each of these areas below and in our [slideshow](#) on the Keurig Green Mountain website.

1. Whole-Farm Planning and Production: We are building farmers' capacity to sustainably increase yields and quality of their coffee crops while also encouraging income diversification that strengthens resilience to external shocks and food scarcity. We complement this agricultural assistance with educational programs on food security and nutrition, as in our work with Save the Children.

2. Water Stewardship and Climate Resilience: We are increasing access to potable water and improving water management for agriculture, as in our work on Blue Harvest. We help supply chain communities incorporate climate- and water-smart production practices and the optimal use of resources that are better for farmers and better for the environment.

3. Strong Rural Organizations: We strengthen farmer organizations' capacity to provide value-added services to farmers, including access to credit, agronomic assistance, inputs, quality assurance, and differentiated market channels, as in our work with the Coffee Farmer Resilience Initiative.

A cross-cutting theme within the programs we fund is gender and generational inclusion, creating preferential opportunities for women and youth in our supply chain.



We have been working with Save the Children in Sumatra since 2010, offering training programs that have taught thousands of farmers about advanced coffee production practices, boosting yields while diversifying their production to improve food security.

OVERVIEW
WATER STEWARDSHIP

RESILIENT SUPPLY CHAIN

Our Supply Chain
Responsible Sourcing Supplier Guidelines
Supplier Assessments
Collaboration
Beverage Ingredient Sourcing
Supply Chain Outreach

SUSTAINABLE PRODUCTS
THRIVING PEOPLE AND COMMUNITIES

Over the last two years, Keurig Green Mountain has also placed a special Company-wide emphasis on water stewardship. Water is vitally important to every aspect of our business, and through our products, operations, and supply chain, we strive to be water stewards and create a positive impact on both the quality and the availability of water. Rainwater is a critical input to coffee plants in order for them to flower on time and produce the coffee cherries that in turn yield the coffee beans required for our coffees. Water also is required for the processing of coffee cherries on the farm. If the water cycle is disrupted in any way — either the quality or the quantity of water — it can affect coffee quality. The same can be said of all agricultural crops, including tea, cocoa, and fruits, as well as home garden plots that feed the families and communities that care for these crops. If agricultural communities do not have access to clean water for cooking, cleaning, bathing, and drinking, it is difficult for them to sustain a livelihood growing crops for export — let alone for feeding their families.

[Top] In partnership with USAID and Mercy Corps, we are providing assistance to two Guatemalan Fair Trade cooperatives that lost more than 60% of their 2013 crop to coffee leaf rust disease. More than 546 growers have received financial aid or agricultural support through this program.

[Bottom] Since the launch of our program with Water for People in northern Nicaragua, we have improved access to water for over 2,600 people while also improving the level of sustainability of water and sanitation services.



Photo courtesy of Mercy Corps



OVERVIEW

WATER STEWARDSHIP

RESILIENT SUPPLY CHAIN

Our Supply Chain

Responsible
Sourcing Supplier
Guidelines

Supplier
Assessments

Collaboration

Beverage
Ingredient
Sourcing

Supply Chain
Outreach

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

In fiscal 2014 we provided \$2.5 million in funding to Blue Harvest, a three-year program coordinated by Catholic Relief Services (CRS) that expands the Global Water Initiative in Central America focused on the sustainable management of water resources in coffee lands. The premise of this program is that "good coffee management is good water management." The way coffee lands — including all agricultural and other land use within these areas — are managed has a direct impact on drinking water sources for rural and urban communities in the area and downstream. Keurig Green Mountain, CRS, and local partners selected seven priority zones in El Salvador, Honduras, and Nicaragua and have assessed water resource conditions to identify our priorities to improve the quantity and quality of local water resources. Our teams have worked with community leaders to assess water resource conditions and prioritized activities to improve the quantity and quality of water resources. Field activities focus on improving farming practices, improving how water is managed in coffee mills, and upgrading drinking water systems. By the end of the project, we hope to improve the quality and quantity of water for 150,000 people in Central America.

We also continued our work to promote recovery from La Roya, the coffee leaf rust disease that is plaguing coffee farmers from Mexico to Peru. Because we source our coffee from locations around the globe, La Roya does not pose a direct threat to the sufficiency of Keurig Green Mountain's coffee supplies. However, it has the potential to cripple coffee-growing communities that are traditional origins in our sourcing mix. As part of our holistic support for coffee-growing communities, we are spearheading action to help farmers prevent, address, and recover from La Roya outbreaks.



Photo Credit: Oscar Leiva / Silverlight

OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

Our Supply Chain

Responsible
Sourcing Supplier
Guidelines

Supplier
Assessments

Collaboration

Beverage
Ingredient
Sourcing

Supply Chain
Outreach

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

COFFEE FARMER RESILIENCE INITIATIVE

In early fiscal 2014, Keurig Green Mountain helped launch the Coffee Farmer Resilience Initiative (CFRI) with Root Capital, the Inter-American Development Bank, and the Skoll Foundation, making a \$1.9 million, three-year commitment to CFRI, which provides financial advisory services for rural farmer enterprises and unlocks long-term renovation financing critical for recovery. This partnership helps farmers rehabilitate or replace coffee plants affected by La Roya, as well as plan a broader farming strategy to help their families and communities thrive in a warmer climate.

"For over a decade, Root Capital and Keurig Green Mountain have invested in coffee farm families and the rural enterprises that represent them. These strategic investments have been good for Keurig's bottom line — ensuring a more secure, reliable, and effective supply chain. Moreover, they've also created enormous value for the farmers who grow coffee, and the consumers who enjoy a delicious cup. We remain dedicated to that same North Star and are proud to play a small role in influencing the future of sustainability at Keurig."

— WILLY FOOTE, Founder and CEO, Root Capital
Keurig Green Mountain External Advisory Panel Member



OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

Our Supply Chain

Responsible
Sourcing Supplier
Guidelines

Supplier
Assessments

Collaboration

Beverage
Ingredient
Sourcing

Supply Chain
Outreach

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

Also in fiscal 2014, we partnered with Cooperative Coffees, the DOEN Foundation, Open Road Alliance, and USAID to launch the Coffee Farmer Resilience Fund. This new fund is a strategic companion to the CFRI and will leverage \$23 million in financial assistance for more than 40,000 coffee farmers combating the devastating coffee leaf rust outbreak in Latin America and the Caribbean. Our contribution to this program will fund resilience investments such as on-farm trainings in climate-smart agricultural practices.

During the first year of the CFRI, Root Capital has approved almost \$9 million in coffee renovation and rehabilitation loans, over 70% of which are destined for Keurig Green Mountain suppliers. Root Capital's Financial Advisory Services team has offered coffee farmers more than 1,300 days of training activities on topics including financial management, accounting, governance, and oversight. Over the course of the past year, Root Capital has built off of the tools and training methodologies created during the Keurig Green Mountain-funded Root Link project to strengthen the internal credit systems management of 34 cooperatives; this capability is critical for providing loans to farmers rehabilitating their farms that were affected by coffee leaf rust. By strengthening rural organizations, Root Capital's services create value for producer members as well as buyers like Keurig Green Mountain through increased production volume, improved financial management, planning and reliability, and improved data quality and visibility.



Photo Courtesy of Root Capital

OVERVIEW
WATER STEWARDSHIP

RESILIENT SUPPLY CHAIN

- Our Supply Chain
- Responsible Sourcing Supplier Guidelines
- Supplier Assessments
- Collaboration
- Beverage Ingredient Sourcing
- Supply Chain Outreach**

SUSTAINABLE PRODUCTS
THRIVING PEOPLE AND COMMUNITIES

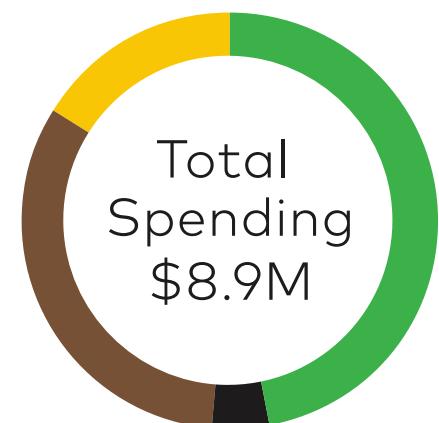
We support farmer capacity-building to adapt to climate change through many programs; however, as we consider what is necessary for climate resilience of our industry, we also need to prepare coffee trees for different environmental stresses that are a threat to coffee crops. That's why Keurig Green Mountain partners with World Coffee Research (WCR), contributing financial support as well as business acumen. For example, our Vice President of Coffee Excellence was the group's first Chairperson of the Board of Directors, helping the nascent organization define its strategy and gain industry recognition. Keurig Green Mountain supports WCR to conduct research and development to improve coffee genetics through traditional breeding techniques. These climate- and disease-resistant varietals will reduce some of the negative effects of climate change and disease pressure while contributing positively to farmer livelihoods and the quality in the cup. While this research is underway, in the shorter term, we are supporting WCR to test high-performing and high-quality varietals in worldwide multi-location trials, to catalog existing varietals, and to develop a compendium of good agricultural practices to help farmers make informed choices today when renovating in Central America in the wake of the coffee leaf rust crisis.

Food security remains a key issue in building a resilient supply chain through our supply chain outreach work. Keurig Green Mountain is a founding member of the Coffeelands Food Security Coalition, a group of six member companies that seek to strengthen coffee communities through the power of collaboration.

In fiscal 2014, the Coalition continued to formalize its strategy and organizational design. We recently had the opportunity to visit the Empowering Food Secure Communities program we are co-funding with member companies in Nicaragua (see [slideshow](#)). The visit was not only an opportunity to review progress and reflect on impact, but also to build cross-industry understanding regarding how we envision working together to address systematic vulnerabilities and risks in our shared supply chain.

Looking ahead, our investments will support our dual objectives of improving livelihoods for farmers and ensuring a long-term supply of coffee for our growing company. We are in the midst of rolling out a new impact model that identifies the metrics that we will measure to achieve our 2020 target to engage 1 million people in our supply chains to significantly improve their livelihoods including water security and climate resilience.

SUPPLY CHAIN OUTREACH SPEND BY PRIMARY OBJECTIVE*



- \$4.2M** Whole-Farm Planning and Production
- \$0.4M** Strong Rural Organizations
- \$2.9M** Water Stewardship and Climate Resilience
- \$1.4M** Other (Education, Health, Research)

*We seek programs that have a holistic impact on all three of these areas. Many of our programs have not one but many objectives that aim at improving livelihoods. This spend chart is organized by the primary objective of the project only.

OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

**SUSTAINABLE
PRODUCTS**

Understanding
Impacts in Our
Value Chain

Working Toward
a Recyclable
K-Cup® Pack

Addressing
Product Waste

Product Quality
and Safety

Our Operations

Sustainable Products

THRIVING PEOPLE
AND COMMUNITIES



OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

Understanding
Impacts in Our
Value Chain

Working Toward
a Recyclable
K-Cup® Pack

Addressing
Product Waste

Product Quality
and Safety

Our Operations

THRIVING PEOPLE
AND COMMUNITIES

Keurig Green Mountain develops and sells a variety of Keurig® brewers and produces and sells coffee and other specialty beverages in portion packs for use with our Keurig® hot brewing systems. We also sell traditional whole bean and ground coffee. We believe that our products can be designed, sourced, and manufactured in ways that are good for people and good for the environment.

During fiscal 2014, we continued to develop our product stewardship framework to guide our innovation and help us minimize the environmental impact of our products while maximizing value for our consumers. Using this framework, we will define a baseline for what we consider to be a "sustainable" product and provide decision-making tools and training for product development teams, beginning with the earliest phases of development. This will allow us to further integrate sustainability considerations into our existing business processes and bring a more targeted focus to issues such as energy and water use, materials selection, and recyclability.

Our program development has been informed by what we've learned from other manufacturers with similar aims for product sustainability and from existing product standards, such as the Association of Home Appliance Manufacturers Sustainability Standard for Small Appliances and the Association of Postconsumer Plastics Recyclers Design for Recyclability Guidelines. Because one size does not fit all when it comes to product sustainability, we will tailor our approach to be appropriate for our products, our business, and our specific sustainability concerns.

Each stage of product development offers a unique opportunity to evaluate product impacts before a product moves on to the next phase. Sustainability considerations will be a cross-functional effort that touches the entire product development process from research through manufacturing to product end-of-life.

To demonstrate our commitment to sustainable product innovation, we set three bold targets, which we announced in fiscal 2014 and plan to achieve by 2020:



100% of K-Cup® packs 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.

Our Approach to Product Stewardship

Developing a more focused product stewardship discipline is a natural outgrowth of our values, and we believe it will strengthen our product development process as we introduce more rigor around sustainability issues at each decision point. As shown here, sustainability topics and impacts are addressed with increasing specificity throughout the product development process. However, our product stewardship program will begin addressing all of these issues as early in the process as possible. For instance, we will consider distribution strategies and recovery programs long before a product launches.



Concept and Early Design



Design Development and Evaluation



Product Launch and Commercialization

SUSTAINABILITY FOCUS AREAS

- Opportunities to address impacts based on data from and experience with similar products or product functions
- Likely energy, water, and materials choice impacts
- Recyclability of proposed design
- Anticipated quality impacts and end-of-life options
- Product water and energy efficiency
- Impact of raw materials
- Impact of packaging
- Recyclability of products and packaging
- Manufacturing efficiency
- Transportation impact of raw and finished goods
- Transparent marketing claims
- Recovery programs for used products
- Distribution efficiency
- Ongoing assessment to identify areas for future improvement

"The ability to benchmark product stewardship and sustainability efforts across companies and industries is critical in developing the more sustainable products that customers are looking for."

— KEITH SUTTER, Director, Medical Device and Diagnostics Sustainability, Johnson & Johnson,
Keurig Green Mountain External Advisory Panel Member

OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

Understanding
Impacts in Our
Value Chain

Working Toward
a Recyclable
K-Cup® Pack

Addressing
Product Waste

Product Quality
and Safety

Our Operations

THRIVING PEOPLE
AND COMMUNITIES

During fiscal 2014, we established key collaborative relationships and gained a more comprehensive understanding of what it will take to develop a recyclable K-Cup® pack. We also conducted a corporate GHG footprint to better understand how we can reduce the life-cycle GHG emissions of brewed beverages. These efforts are helping us lay the groundwork to begin measuring our progress toward our related 2020 targets. We will begin reporting on new key performance indicators for these targets next year. We have been working toward reducing operational waste for several years, and our progress is documented in this report.

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. During fiscal 2014, we conducted GHG and water footprints and product life-cycle assessments to help us evaluate our impacts across our value chain. See the [Water Stewardship](#) section for information on the water footprinting work.

To see the seven stages of our value chain related to coffee and brewing, visit the [Overview](#) section. For more detail about each stage, visit the [interactive](#) version of our value chain featured on our website.

*Percentages do not total 100% due to rounding.

**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® packs. This includes energy used by third-party logistics partners to transport raw materials and finished goods to and from Keurig Green Mountain-owned or leased facilities.

CORPORATE GHG FOOTPRINT*



- | Category | Percentage |
|-----------------------------------|------------|
| Coffee Cultivation and Processing | 10.3% |
| Operations | 2.5% |
| Product Packaging | 6.8% |
| Brewer Supply Chain | 17.6% |
| Distribution | 5.0% |
| Brewer Energy Use | 55.1% |
| End-of-Life | 2.6% |

Corporate GHG Footprint

In fiscal 2014, we conducted a comprehensive GHG footprint (including Scope 1–3 emissions**) 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 make improvements.

Results

- Brewer energy use (e.g., in homes and offices) is the largest contributor to our GHG footprint (about 55%), followed by our brewer supply chain, and then coffee cultivation and processing.
- Cultivation and preparation (processing) of the coffee beans accounts for about 10% of our footprint.
- Our own operations (including roasting coffee, packaging lines, and offices) represent only 2.5% of our total GHG footprint.

OVERVIEW
WATER STEWARDSHIP
RESILIENT SUPPLY CHAIN
SUSTAINABLE PRODUCTS
Understanding Impacts in Our Value Chain
Working Toward a Recyclable K-Cup® Pack
Addressing Product Waste
Product Quality and Safety
Our Operations

Action Plan

We are evaluating the results from the footprint to determine what steps we must take to meet our 2020 target of reducing life-cycle GHG emissions of brewed beverages. We have completed a future scenario analysis to see where we can make the biggest improvements and will have reduction plans in place by the end of fiscal 2015.

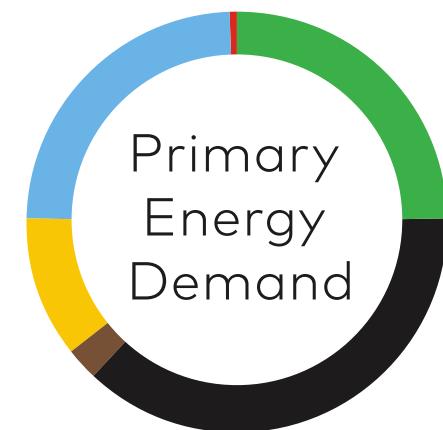
Life-Cycle Assessments

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

K-Cup® Packs

In 2012, we conducted an LCA of our coffee K-Cup® packs, 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), Acidification Potential, Eutrophication Potential, and Primary Energy Demand.*

K-CUP® PACK 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. Acidification Potential is the measure of emissions that contribute to a decrease in the pH in the atmosphere. Eutrophication Potential is the measure of emissions that lead to excessive nutrient intake into the water and land. 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 a home versus an away from home usage.

Through this analysis, we learned that the disposal of the product packaging after use of a K-Cup® pack 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 competitive coffee systems* that brew a full pot of coffee, the Keurig® brewing system uses less energy.

On average, when compared with competitive batch brewers,* customers waste less brewed coffee when they use a single serve Keurig® brewer than when they brew a full pot of coffee. On average, about 12% to 15% of home- and office-brewed batch coffee is wasted.**

Keurig® 2.0

In fiscal 2014, we conducted an LCA of our new Keurig® 2.0 system, which we launched in August 2014.*** The system allows consumers to choose whether they brew an individual serving of coffee using our K-Cup® packs or a 4-cup carafe of coffee using our K-Carafe™ packs. We compared the impact of using the Keurig® 2.0 system to brew a carafe of coffee with brewing a carafe of coffee using a traditional batch brewing system.

*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.

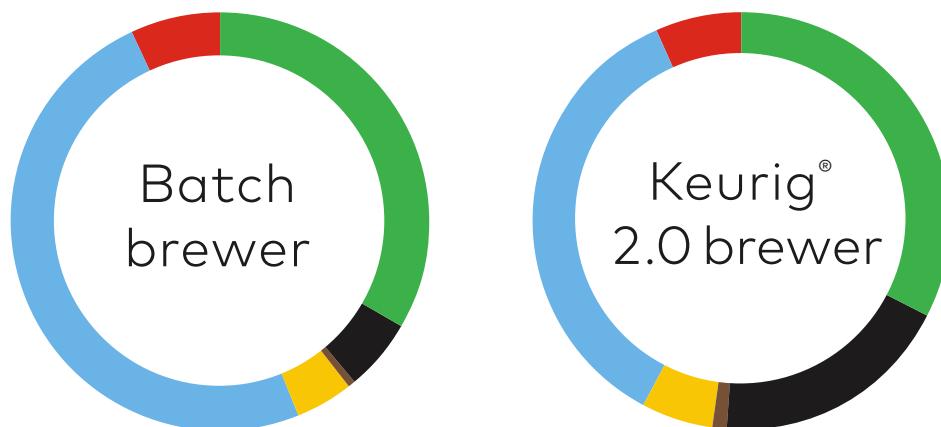
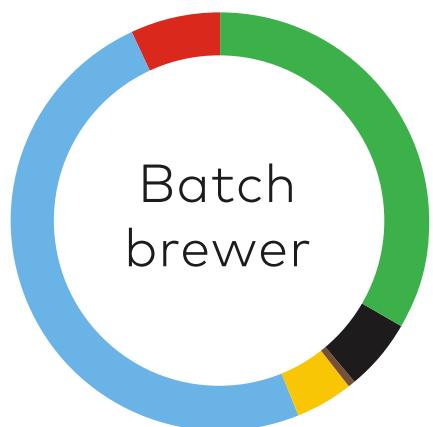
**Keurig/Godfrey Research Study on Waste Coffee, May 2009.

***Study pending third-party verification.

****Traditional batch brewer for home use.

*****K-Carafe™ pack in Keurig® 2.0 brewer.

KEURIG® 2.0 LCA RESULTS: GLOBAL WARMING POTENTIAL ACROSS LIFE-CYCLE STAGES



	Batch brewer***	Keurig® 2.0 brewer****
Coffee Cultivation and Processing	33.5%	32.5%
Product Packaging	5.5%	18.7%
Operations	0.5%	1.2%
Distribution	4.5%	5.4%
Consumption/Use	49.3%	35.8%
End-of-Life	6.7%	6.4%

The use phase is the largest contributor to global warming potential for both traditional batch brewers designed for home use (49%) and for Keurig® 2.0 brewers using K-Carafe™ packs (36%).

OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

Understanding
Impacts in Our
Value Chain

Working Toward
a Recyclable
K-Cup® Pack

Addressing
Product Waste

Product Quality
and Safety

Our Operations

We found that using a K-Carafe™ pack in the Keurig® 2.0 system has a similar impact (about a 10% difference) in terms of global warming potential and primary energy demand when compared with brewing a pot of coffee using a traditional batch brewer designed for at home use.

We also did a study to assess the packaging we use to cushion our Keurig® 2.0 brewers during distribution to consumers. Specifically, we compared molded fiber inserts with expanded polystyrene (EPS) foam packaging. While our LCA study revealed a lower GHG impact with the foam, additional research showed that we would need less warehouse space and fewer trucks to transport the molded fiber. In addition, molded fiber is more easily recycled in community curbside recycling programs. With these results in hand, we made the decision to use molded fiber inserts for our Keurig® 2.0 brewer packaging. We expect this decision will help us avoid using 16 million cubic feet of EPS foam each year. That's enough foam to fill a football field from end zone to end zone to a depth of 283 feet.



OVERVIEW
WATER STEWARDSHIP
RESILIENT SUPPLY CHAIN
SUSTAINABLE PRODUCTS
Understanding Impacts in Our Value Chain

Working Toward a Recyclable K-Cup® Pack

Addressing Product Waste

Product Quality and Safety

Our Operations

THRIVING PEOPLE AND COMMUNITIES

WORKING TOWARD A RECYCLABLE K-CUP® PACK

Innovation is at the heart of everything we do. We are dedicated to innovation around our beverage systems — from new brands and product lines to more sustainable solutions. As Keurig® beverage systems continue to grow in popularity, addressing their environmental impact, while continuing to deliver extraordinary beverages, is a critical priority for us.

Through our Vue®, K-Carafe™, and Bolt® packs, we are giving our customers and consumers greater flexibility and more recyclable options than ever before. However, our K-Cup® packs are not currently recyclable. We have committed to making 100% of K-Cup® packs recyclable by 2020.

KEURIG® PORTION PACKS

	YEAR RELEASED	COMPATIBLE WITH	RECYCLABILITY	RECOVERY PROGRAM
K-CUP® PACK	1998	Keurig® and Keurig® 2.0 brewers	Will be recyclable by 2020 in the majority of communities in the United States and Canada	Grounds to Grow On™ (for workplace customers)
VUE® PACK	2012	Vue® and Keurig® 2.0 brewers	Recyclable in the majority of communities in the United States and Canada	Preserve Gimme 5
K-CARAFE™ PACK	2014	Keurig® 2.0 brewers	Recyclable in the majority of communities in the United States and Canada	Preserve Gimme 5
BOLT® PACK	2014	Bolt® brewers	Recyclable in the majority of communities in the United States and Canada	Preserve Gimme 5

Vue® packs feature a lid and filter paper that peels away from a base cup made from polypropylene #5 plastic. Polypropylene #5 plastic is accepted for recycling in many communities in the United States and Canada. We applied this same technology to our Bolt® and K-Carafe™ packs, which launched in 2014.

OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

Understanding
Impacts in Our
Value Chain

Working Toward
a Recyclable
K-Cup® Pack

Addressing
Product Waste

Product Quality
and Safety

Our Operations

THRIVING PEOPLE
AND COMMUNITIES

There are two specific features that prevent today's K-Cup® packs from being recyclable, which we are working to overcome. First, the plastic cup must be separated from the lid and filter in order to empty the cup and then recycle the plastic. Since the filter is sealed to the plastic cup, it makes separating the lid, filter, and cup difficult. In addition, the filter material is a blend of natural fibers and plastic, which prevents it from being recycled conventionally.

To meet our 2020 target, we're evaluating product development solutions and working with the recycling community and partners to ensure that our new K-Cup® pack design isn't just recyclable in theory, but will also be able to be effectively recycled in the majority of community programs. This is a complex issue with many challenges, and we cannot address all of them on our own. For that reason, we are simultaneously pursuing multiple avenues to achieve our target:

- **Product design:** Designing a K-Cup® pack with materials that can be easily separated and readily recycled
- **Recycling infrastructure:** Collaborating with other companies, industry associations, and recyclers to overcome barriers to recycling and ensure that small plastic items with potential for reuse will successfully and consistently make it through the recycling stream
- **End-market development:** Encouraging long-term end-market demand for recycled material, which will create buyers for the material recyclers collect.

PROGRESS TOWARD RECYCLABLE K-CUP® PACKS



We have a lot to accomplish over the next few years. Along the way, we will be transparent about our progress and the challenges and opportunities in front of us. For the most up-to-date information, visit KeurigGreenMountain.com/Recyclability.

"Keurig Green Mountain is an excellent example of a company openly taking responsibility for ensuring that packaging that may be challenging to recycle today, is easy to recycle tomorrow. It is easy for companies to take credit for things. In reality, what we need is more companies taking responsibility for things. Watching the cross-functional team Keurig operates is a great example of an internal commitment to sustainability that has support top to bottom in the organization."

— RON GONEN, Co-Founder and CEO, Closed Loop Fund
Keurig Green Mountain External Advisory Panel Member

OVERVIEW
WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

Understanding
Impacts in Our
Value Chain

Working Toward
a Recyclable
K-Cup® Pack

Addressing
Product Waste

Product Quality
and Safety

Our Operations

THRIVING PEOPLE
AND COMMUNITIES

By 2020, 100% of K-Cup® packs will be recyclable.

Designing a recyclable K-Cup® pack 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® packs. We're actively engaged with other businesses, recyclers, and industry organizations to understand the whole system and contribute to solutions.



Recyclable Materials

We intend to move toward polypropylene #5 plastic for our K-Cup® packs. Polypropylene performs well in our brewing system, and the material is in high demand since it can be used for a wide variety of products.

Design for Recyclability

In addition to using recyclable materials for the cup itself, we will make it easier for consumers to separate the components of our K-Cup® packs to prepare the plastic cup for recycling.

Community Recycling Programs

Not all recyclable materials can be conveniently recycled in all communities, so we're working toward a solution that will allow K-Cup® packs to be recycled in the majority of communities. We're also raising awareness with consumers to increase recycling rates and working with others to expand access to convenient recycling in more communities.

Materials Sorting

There are more than 500 recycling facilities in the United States, and the equipment they use is not standardized. To help K-Cup® packs consistently make it through the recycling process, we're working with materials recyclers and other partners to gain a greater understanding of the challenges within the sorting process and to help develop solutions.

End-Market Demand

To help ensure that used K-Cup® packs are transformed into other useful consumer goods, we participate in organizations working to create demand for postconsumer recycled polypropylene. We're also evaluating ways we can use this type of recycled material in our own products and encouraging our partners and suppliers to do the same.

OVERVIEW
WATER STEWARDSHIP
RESILIENT SUPPLY CHAIN
SUSTAINABLE PRODUCTS
Understanding Impacts in Our Value Chain
Working Toward a Recyclable K-Cup® Pack
Addressing Product Waste
Product Quality and Safety
Our Operations

THRIVING PEOPLE AND COMMUNITIES

Product Design

After thorough investigation and research of several designs, we are narrowing our options and conducting tests to find the recyclable solution that meets all the requirements of our brewing system — including a consistently high-quality beverage every time. In addition to designing a K-Cup® pack that can be easily separated by consumers, we intend to move toward polypropylene (#5) plastic for the cup itself — a material often used in common household items, such as yogurt and butter containers.

Of the commonly recyclable plastic resins, #5 performs the best in our brewing system. In addition, it's a stable material with a good outlook for long-term demand in the recycling stream. It is also accepted by recyclers in approximately 60% of communities in the United States* and 93% of communities in Canada.** This means if we design an easily separable K-Cup® pack made from #5 plastic, we will have met our commitment to produce a solution that is recyclable in the majority of communities. However, we feel there is more we can do. 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 portion packs (see more below).

*Moore Recycling Associates, Plastic Recycling Collection: National Reach Study, May 2013.

**CM Consulting, Population Access to the Recycling of Post Consumer Plastic Packaging in Canada, May 2013.

Once we are confident we have designed a product that will meet all our requirements, we will also need to convert our packaging lines across eight manufacturing facilities in the United States and Canada. This conversion will not be a small task, but we are committed to overcoming the hurdles to meet our 2020 target.

"Our engineers are researching materials, creating prototypes, and performing tests to get the design and materials right for recyclability — all while working with our beverage and commercial teams to maintain the high-quality and great taste that our consumers love."

— KEVIN SULLIVAN, Chief Technology Officer, Keurig Green Mountain

Recycling Infrastructure

Designing a recyclable K-Cup® pack is only part of the solution. Once our consumers use a portion pack, they must have access to a recycler that accepts the material it's made from. This access varies greatly between communities in terms of how to recycle and what can be recycled. Then, the K-Cup® pack must successfully make it through the recycling and sorting process. There are more than 500 material recycling facilities in the United States alone, and the equipment those facilities use is not standardized. As a result, understanding exactly what happens to used K-Cup® packs can be challenging. We want to do what we can to ensure that they make it through the sorting process so that they can find another life.

OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

Understanding
Impacts in Our
Value Chain

Working Toward
a Recyclable
K-Cup® Pack

Addressing
Product Waste

Product Quality
and Safety

Our Operations

We are working with recyclers to test K-Cup® packs in their recycling systems in order to gain a more comprehensive understanding of the challenges that will need to be overcome for the recovery of small #5 plastic items. This will not only help us in our own product development process, but it will also increase our knowledge so we can help to bring about system-wide transformations that will benefit us as well as other manufacturers facing similar challenges. We intend to share what we learn within industry forums that are promoting 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](#). The Fund helps to finance development of recycling infrastructure to ensure effective recycling of products and packaging and responsible use of food waste. The Fund plans to invest \$100 million over five years in the form of low- and no-interest loans to help build comprehensive recycling programs. Keurig Green Mountain sits on the Fund's Advisory Board as an initial investor, contributing \$5 million over five years to the Fund.

By collaborating with others through organizations such as the Closed Loop Fund, we do more than find solutions that work for our own products. We also contribute to solutions that benefit consumers and our industry more broadly and help more plastic to be consistently captured for recycling.

THRIVING PEOPLE
AND COMMUNITIES

End-Market Development

Recyclers are running a business. They collect items from homes and businesses for the purpose of selling the materials to those who want to reuse them. Increased demand strengthens the incentive for recyclers to find solutions that recover more used plastic for the marketplace. So it makes sense that the final piece of this puzzle is the development of a robust end-market for the material that K-Cup® packs are made from so they can be transformed into other useful consumer goods.

We belong to [The Association of Postconsumer Plastic Recyclers](#), which includes recyclers, brand owners, and plastics converters seeking to solve problems and understand issues related to plastics recycling. We are active participants in a subcommittee specifically focused on polypropylene market development. The subcommittee works to increase the availability and use of postconsumer recycled polypropylene — looking at supply and demand and identifying key issues, choke points, and gaps in the supply chain.

Our participation on this subcommittee allows us to work collaboratively with others toward more effective recycling solutions across industries. With wide participation across the value chain, the group has the ability to identify key information and actionable recommendations faster than any one entity on its own. We hope to create systemic change that benefits Keurig Green Mountain as well as other consumer goods companies, materials recyclers, and, ultimately, our customers and consumers.

OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

Understanding
Impacts in Our
Value Chain

Working Toward
a Recyclable
K-Cup® Pack

Addressing
Product Waste

Product Quality
and Safety

Our Operations

THRIVING PEOPLE
AND COMMUNITIES

ADDRESSING PRODUCT WASTE

While we continue to work toward a 100% recyclable K-Cup® pack, we also offer programs for responsible disposal of K-Cup® packs. In addition, customers can take advantage of our Brewer Returns program and recovery options for our recyclable portion packs, including our Vue®, K-Carafe™, and Bolt® packs.

Though life-cycle analysis suggests that end-of-life is only a small share of the overall environmental impact of our products, this is an important stage of the value chain for us and for our consumers. 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 portion pack recycling programs are an interim step, and we believe that further development of municipal recycling infrastructure is key to successful recycling in North America. We have begun [parallel work](#) to encourage and support that development.

K-Cup® Pack Recovery in the United States

[Our Grounds to Grow On™](#) program allows our workplace customers in the United States (e.g., those using our commercial Keurig® brewers in their business and office settings) to collect used K-Cup® packs 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.

GROUND TO GROW ON™ PROGRAM

	Fiscal 2014	Program to Date
 Used K-Cup® packs recovered	7.1M	17.4M
 Pounds of coffee grounds composted	165K	358K
 Kilowatt hours generated	270	586

Grounds to Grow On™ program. We found that when we work with partners to convert the waste from K-Cup® packs into energy, there is a lower environmental impact than if we had recycled the plastic. The products we've identified to date that can be made from recycled K-Cup® pack waste would not displace virgin plastic, and those products made from K-Cup® packs have a high potential to end up in landfills at the end of their useful life.

We are continuing to evaluate the benefits and impacts of the program so that we can provide the best possible solution to our customers. Currently, used K-Cup® packs are collected and sent to a centralized processing facility in Ohio where the coffee grounds are separated from the rest of the K-Cup® pack. The grounds are composted while the other packaging

OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

Understanding
Impacts in Our
Value Chain

Working Toward
a Recyclable
K-Cup® Pack

Addressing
Product Waste

Product Quality
and Safety

Our Operations

THRIVING PEOPLE
AND COMMUNITIES

materials are sent to a waste-to-energy facility in Indiana. Beginning in fiscal 2015, we will pilot a program in three United States locations to regionally process used K-Cup® packs. The purpose of the pilot is to evaluate whether we can reduce emissions associated with the program by using regional processing rather than a central processing facility. If the pilot is successful, we will consider scaling up the program for the entire United States, to make it more widely available to all consumers.

K-Cup® Pack Recovery in Canada

In Canada, we have established local programs in several cities to help customers who use K-Cup® packs away from home to recycle. Customers who receive new K-Cup® packs through our coffee service programs in Kamloops, Montreal, Toronto, and Vancouver can return used K-Cup® packs to their delivery driver for return to the distribution center. We then send those K-Cup® packs to local waste-to-energy facilities and cement kilns where they can be used as alternative fuel sources. We plan to continue increasing the number of locations where this program is available in Canada.

We partner with the Holcim cement plant in Joliette, Quebec, to help customers responsibly dispose of their used K-Cup® packs. After collecting the used K-Cup® packs, we send them to the cement plant where they are used as an alternative to fossil fuels. Using K-Cup® packs as fuel instead of coal leads to a 30% reduction in GHG emissions.

Vue® Pack, K-Carafe™ Pack, and Bolt® Pack Recycling

Our Vue® packs, K-Carafe™ packs, and Bolt® packs all feature a lid and filter paper that peels away from base cups made from polypropylene #5 plastic. Polypropylene #5 plastic is accepted for recycling in approximately 60% of all communities in the United States* and 93% of communities in Canada.** Customers can find out whether #5 plastic recycling is available in their areas by using the search engine available at KeurigRecycling.com.



*Moore Recycling Associates, Plastic Recycling Collection: National Reach Study, May 2013.

**CM Consulting, Population Access to the Recycling of Post Consumer Plastic Packaging in Canada, May 2013.

OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

Understanding
Impacts in Our
Value Chain

Working Toward
a Recyclable
K-Cup® Pack

Addressing
Product Waste

Product Quality
and Safety

Our Operations

THRIVING PEOPLE
AND COMMUNITIES

For those areas in the United States without the appropriate recycling infrastructure, we have partnered with the Preserve Gimme 5 program, which allows customers to mail their brewed Vue® pack, Bolt® pack, and K-Carafe™ pack plastic cups to Preserve to be recycled.

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 2014, we reused approximately 8,800 brewers for internal marketing purposes and recycled approximately 550,000 brewers for a total of over 19 million pounds of material diverted from landfills.

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 our beverages.

Keurig® Brewers

We continually innovate to make great brewers that deliver top-quality cups of coffee. High-quality machines also equate to fewer returned brewers, less waste due to the disposal of faulty products, and a stronger bottom line. Each returned brewer contains a chip that records failures that may have occurred, allowing us to improve brewer design and construction. By making our brewers better, we increase their total lifespan — a win for our consumers and a decrease in environmental impact. The materials we use to package our brewers are designed to sustain being dropped from a height of 36 inches (the industry standard), which also helps us to minimize return rates for damaged products. We maintain three product return centers where brewers taken out of service are broken down for recycling of brewer and packaging materials.

We follow the Restriction of Hazardous Substances (RoHS) directive, European regulations that reduce harmful or toxic effects of electronic equipment in waste streams, and the water path components in the brewer are completely BPA-free.

OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

Understanding
Impacts in Our
Value Chain

Working Toward
a Recyclable
K-Cup® Pack

Addressing
Product Waste

Product Quality
and Safety

Our Operations

THRIVING PEOPLE
AND COMMUNITIES

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 K-Cup® packs in a variety of brewers to make sure that each batch meets our high quality expectations. In addition, a team of professional coffee tasters in our Coffee Department in Waterbury, Vt. — known in the industry as “cuppers” — taste 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.



OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

Understanding
Impacts in Our
Value Chain

Working Toward
a Recyclable
K-Cup® Pack

Addressing
Product Waste

Product Quality
and Safety

Our Operations

THRIVING PEOPLE
AND COMMUNITIES

OUR OPERATIONS

We're committed to finding ways of decoupling the growth of our business from our environmental impacts. We strive to use resources efficiently in our operations and reduce our environmental impacts by focusing on energy use, greenhouse gas (GHG) emissions, and waste diversion. Water is another critical resource and one with significant impacts in our value chain. However, because coffee processing is a relatively dry process, we are not a heavy user of water in our facilities.

In fiscal 2014 we completed corporate water and GHG footprints to help us identify the areas where we can make the biggest improvements in our value chain.

Though the analyses confirm that our current operations represent 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 footprint*), we continue to make improvements so we can operate as efficiently as possible. In 2014, TruCost named us an "Efficiency Leader" for demonstrating environmental efficiency within our operations.

Our net sales grew by 8% in fiscal 2014, which was reflected in more roasting and packaging of our products and an increase in our total energy use and waste generation. 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.



EFFICIENT OFFICE SPACE

In fiscal 2014, we opened a new site in Burlington, Mass., which includes a research and design facility and office space for 650 employees. The first of the two new buildings achieved Leadership in Energy & Environmental Design (LEED®) Gold certification, and we are pursuing LEED Gold certification for the second building.

The complex features a green roof, a rainwater harvesting system, low-flow plumbing fixtures, LED lighting, and recycled materials. The 524.5-kilowatt solar array on the roof generates renewable energy that we sell to the energy grid. This new site will bring our total number of LEED-certified facilities to six, including two in South Burlington, Vt., and two in Waterbury, Vt.

*Blue Water: Surface or groundwater consumed.

OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

Understanding
Impacts in Our
Value Chain

Working Toward
a Recyclable
K-Cup® Pack

Addressing
Product Waste

Product Quality
and Safety

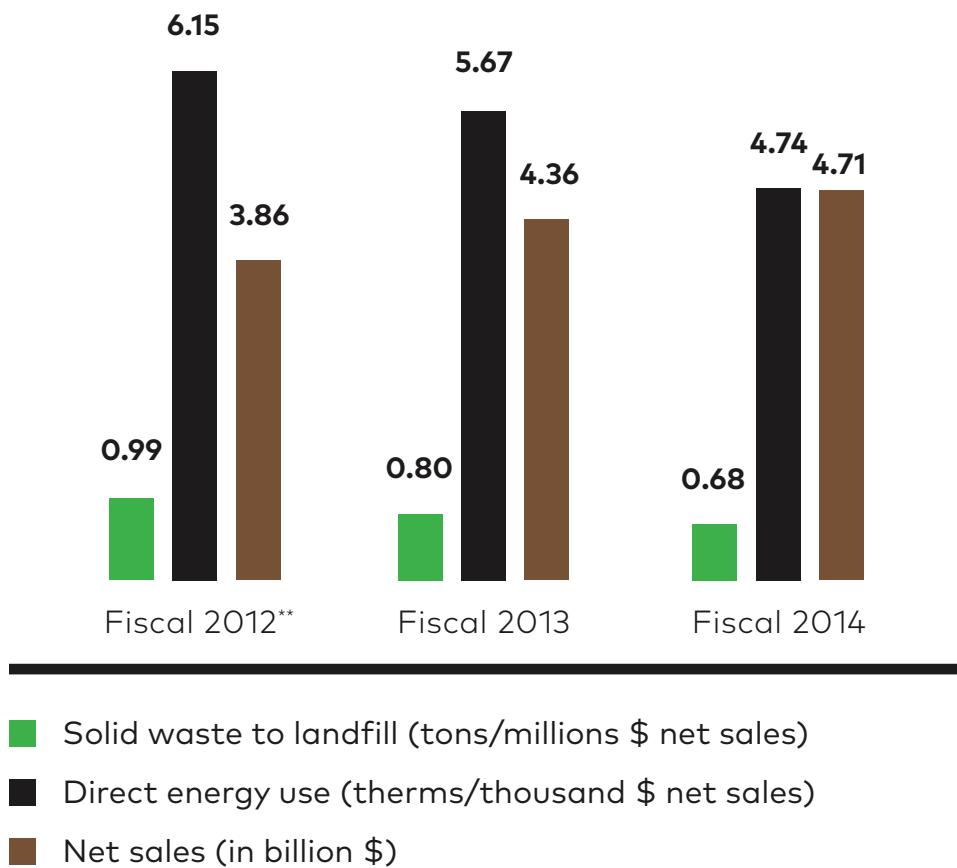
Our Operations

THRIVING PEOPLE
AND COMMUNITIES

GHG Emissions and Energy Use

Using energy efficiently is one of our top operational priorities. Beyond the benefits to the bottom line, reducing our fuel use wherever possible also reduces GHG emissions and our Company's contribution to climate change.

WASTE AND ENERGY METRICS VS. SALES GROWTH*



*Fiscal 2012 and fiscal 2013 energy metric changes from previous reports are due to updates in Scope 3 calculations implemented in this report.

**Specialty Coffee Business Unit only.

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 share of GHG emissions.

Our emissions management strategy aligns with our [Climate Change Policy](#), which includes three primary components: adaptation, mitigation, and engagement.

In fiscal 2014, we completed a comprehensive GHG footprint of our value chain. Though our operations represent just 2.5% of our overall GHG footprint, we still take steps wherever possible to reduce operational GHG emissions.

In fiscal 2014, our total GHG emissions fell by 19% compared with fiscal 2013. We attribute this to better information related to our Scope 3 emissions data (see Scope 3 emissions footnote on following page).

Our operational GHG emissions primarily result from energy used in our roasting operations and fuel used in our Canadian vehicle fleet. In fiscal 2014, we discontinued purchasing offsets and will be evaluating the results of our GHG footprint study to identify the most effective ways to reduce emissions directly. We also used the GHG footprint data to help inform our selection of the most meaningful areas to include in our Scope 3 emissions reporting starting in fiscal 2014 and moving forward.

OVERVIEW
WATER STEWARDSHIP
RESILIENT SUPPLY CHAIN
SUSTAINABLE PRODUCTS
Understanding Impacts in Our Value Chain
Working Toward a Recyclable K-Cup® Pack
Addressing Product Waste
Product Quality and Safety
Our Operations

THRIVING PEOPLE AND COMMUNITIES

Our Canadian Fleet

Our Canadian operations own and operate a fleet of vehicles, which makes reducing transportation-related carbon dioxide (CO₂) emissions a particular priority for that region. There are three primary ways we reduce the CO₂ emissions of our Canadian fleet:

- **Better driving habits:** In fiscal 2012, we piloted a GPS project to give drivers and their supervisors better visibility into actions that influence vehicle emissions such as idle times, speed, and route efficiency. It was so successful that we expanded the program in fiscal 2013 to outfit all vehicles with a GPS device.
- **Propane fuel:** In fiscal 2014, we continued converting vehicles to propane fuel, bringing the total number of converted vehicles to 62, which is approximately 17% of our fleet. In fiscal 2015, we expect to convert another 15 vehicles, reaching 21% conversion of our fleet. The GHG emissions of each vehicle we convert drops by 24%.
- **Smaller vehicles:** When possible, we have started buying smaller, more fuel-efficient vehicles.

Based on these three improvements, we set a goal to reduce CO₂ GHG emissions by 6% per kilometer in fiscal 2014 compared with our 2013 baseline. Our actual reduction for the year was 5.1%. Our fiscal 2015 goal is to reduce CO₂ GHG emissions per kilometer by an additional 3%.

GREENHOUSE GAS EMISSIONS (SHORT TONS IN THOUSANDS)*	FISCAL 2012**	FISCAL 2013	FISCAL 2014
Scope 1: Direct Emissions	35	34	42
Scope 2: Purchased Electricity***	0	0	0
Scope 3: Indirect Emissions****	128*****	129*****	90
Total Estimated Emissions	163	163	132
Total GHG Emissions Change Year-Over-Year*****	51%	0%	-19%

*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. Previous years' information is not restated based on the new factors.

**Specialty Coffee Business Unit only.

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

****Scope 3 includes emissions from energy used in transportation of raw material and finished goods by third-party logistics partners to and from Keurig Green Mountain-owned or leased facilities. For fiscal 2014 we have discontinued inclusion of emissions resulting from employee commuting and corporate travel. Due to the more holistic energy use view we have gained via our corporate GHG footprint exercise published with this report, and the resources required to develop the travel and commuting information, we have determined that inclusion of these activities is not a priority for understanding our energy use and near-term reduction opportunities as these activities are insignificant relative to our overall footprint. At this time, we do not include emissions associated with other Scope 3 categories; however, we anticipate that continued tracking and updates to our corporate footprint in support of our 2020 target will allow us to more fully report Scope 3 emissions in the future.

*****We have restated our estimated Scope 3 emissions starting in fiscal 2012, incorporating additional data around logistics.

*****Fiscal 2012 GHG emissions increase from fiscal 2011 is due to updates in Scope 3 calculations starting in fiscal 2012.

OVERVIEW
WATER STEWARDSHIP
RESILIENT SUPPLY CHAIN
SUSTAINABLE PRODUCTS
Understanding Impacts in Our Value Chain
Working Toward a Recyclable K-Cup® Pack

Addressing Product Waste
Product Quality and Safety
Our Operations

THRIVING PEOPLE AND COMMUNITIES

Managing Energy Use

The energy use of our facilities varies greatly, driven by sales and other factors beyond the energy efficiency of the equipment and operations. So, while we track and report absolute energy use, we manage and set targets based on normalized energy use.

Normalizing is the process of removing the impact of these factors on energy use to objectively compare the energy performance of facilities and operations. This helps us establish targets that decouple the growth of our business

and energy-efficiency improvements. As our business continues to grow, energy use will continue to increase. We set energy use targets that allow for this growth while focusing on energy efficiency projects.

During fiscal 2014, our total energy use fell by about 10%, reflecting updates in the way we calculate Scope 3 energy, while our normalized energy metric fell. Our greatest use of electricity is in our K-Cup® packaging operations. During fiscal 2014, we purchased renewable electricity in the form of Green-e certified renewable energy certificates.

TOTAL ENERGY USE (THERMS)	FISCAL 2012*	FISCAL 2013	FISCAL 2014
Scope 1: Direct Energy	5,089,117	5,155,214	7,674,455
Scope 2: Purchased Electricity	2,431,929	4,354,877	3,508,428
Scope 3: Indirect Energy	16,227,233**	15,204,373**	11,120,350***
Total Therms	23,748,279	24,714,464	22,303,233
Normalized Energy Metric (therms/\$1,000 sales) (including affiliate sales)	6.15	5.67	4.74
Energy Metric Change Year-Over-Year	71%****	-8%	-16%

*Specialty Coffee Business Unit only.

**We have restated our estimated Scope 3 energy used starting in fiscal 2012, incorporating additional data around logistics.

***Scope 3 includes energy used in transportation of raw material and finished goods by third-party logistics partners to and from Keurig Green Mountain-owned or leased facilities. For fiscal 2014 we have discontinued inclusion of energy use from employee commuting and corporate travel. Due to the more holistic energy use view we have gained via our corporate GHG footprint exercise published with this report, and the resources required to develop the travel and commuting information, we have determined that inclusion of these activities is not a priority for understanding our energy use and near-term reduction opportunities as these activities are insignificant relative to our overall footprint. At this time, we do not include energy associated with other Scope 3 categories; however, we anticipate that continued tracking and updates to our corporate footprint in support of our 2020 target will allow us to more fully report Scope 3 energy use and emissions in the future.

****Fiscal 2012 energy metric increase from fiscal 2011 is due to updates in Scope 3 calculations starting in fiscal 2012.

OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

Understanding
Impacts in Our
Value Chain

Working Toward
a Recyclable
K-Cup® Pack

Addressing
Product Waste

Product Quality
and Safety

Our Operations

THRIVING PEOPLE
AND COMMUNITIES

In an effort to manage operational energy use and increase energy efficiency, we have been working the past several years to establish an infrastructure that tracks the energy use of our roasting and packaging operations in a new way. We have installed sub-meters for our roasting operations and are doing the same for our packaging lines. The sub-meters allow us to monitor energy use on a per-machine basis. This will be an ongoing effort as we continue to install meters, evaluate our footprint, and set actionable goals for energy use.

During the first quarter of fiscal 2014, we established a baseline for our roasting fuel consumption and set a goal for each United States manufacturing site to reduce its fuel consumption per pound of roasted coffee by 5% during the remainder of the year. We achieved that goal at four of our six sites. Our Knoxville, Tenn., facility reduced its normalized energy consumption by 9% compared with the baseline. We're able to achieve these energy reductions at our sites by helping employees understand how to run roasting equipment more efficiently. Total energy use for roasting in the United States fell by 4% against the first quarter fiscal 2014 baseline. We've set a fiscal 2015 goal to reduce fuel consumption by an additional 3.2% compared with our baseline.



Reducing Operational Waste

In fiscal 2014, we introduced a new target 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, though several are coming close. In fiscal 2014, two of our sites had a waste diversion rate of 90% or higher, including Sumner, Wash., and Windsor, Va.

Most of our waste results from coffee roasting and packaging. 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. (See the [Community](#) section for information about our donations that also divert products from landfill).

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® pack will also help us reach our zero waste target by making it easier for us to responsibly dispose of K-Cup® pack scrap material and K-Cup® packs rejected during production.

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® packs, scrap metal foil from machine turnover and packaging, metal can containers, coffee bean chaff (the outer layer left over after roasting), and scrap organic material.



OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

Understanding
Impacts in Our
Value Chain

Working Toward
a Recyclable
K-Cup® Pack

Addressing
Product Waste

Product Quality
and Safety

Our Operations

In fiscal 2014, we established three new waste diversion projects:

- Sumner, Wash.**: We began using dismantling equipment to remove coffee grounds from K-Cup® packs rejected during manufacturing so we can recover the grounds for composting.
- Castroville, Calif.**: We installed equipment that pelletizes coffee chaff, making it easier and more cost-effective to transport the chaff for composting.
- Montreal, Canada**: We established a partnership with a cement kiln that uses K-Cup® packs rejected during our manufacturing process to power their operations. The K-Cup® packs 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 fiscal 2014, we diverted 419 tons of K-Cup® pack waste through this partnership, and the Montreal site's diversion rate jumped from 65% to 88%.

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.

THRIVING PEOPLE
AND COMMUNITIES

WASTE DIVERSION RATES FOR MANUFACTURING FACILITIES

SITE	FISCAL 2012*	FISCAL 2013	FISCAL 2014
Castroville, Calif.	50%	76%	72%
Essex, Vt.	66%	70%	74%
Knoxville, Tenn.	79%	84%	85%
Sumner, Wash.	91%	93%	91%
Waterbury, Vt.	79%	77%	61%
Williston, Vt.	74%	85%	80%
Windsor, Va.	0%	76%	95%
Montreal, Canada	N/A	65%	88%
Average diversion rate for manufacturing facilities	79%	73%**	86%

*Specialty Coffee Business Unit only.

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

OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

Understanding
Impacts in Our
Value Chain

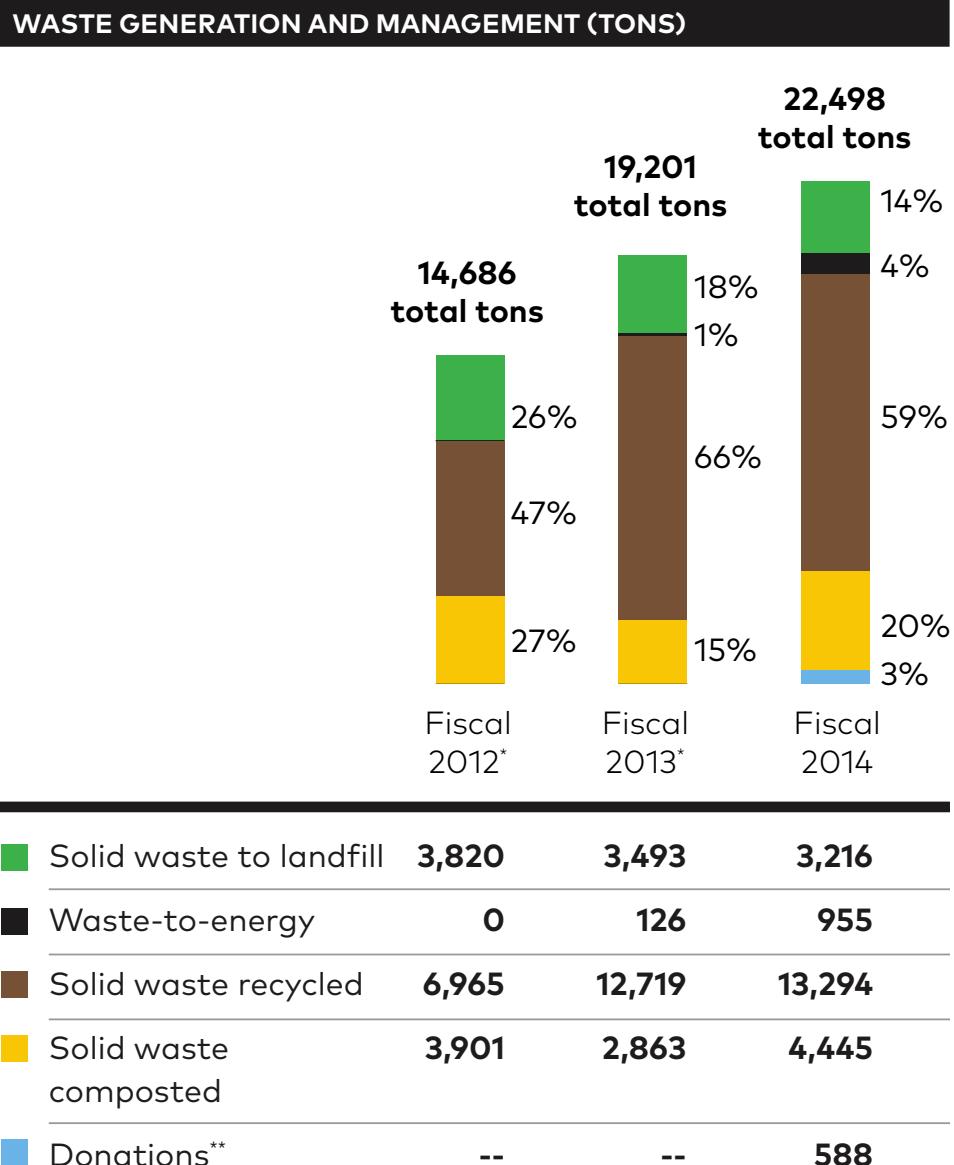
Working Toward
a Recyclable
K-Cup® Pack

Addressing
Product Waste

Product Quality
and Safety

Our Operations

THRIVING PEOPLE
AND COMMUNITIES



*Specialty Coffee Business Unit only.

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

In fiscal 2014, our aggregate tons of waste from our United States facilities increased, but the amount of material diverted from landfills increased at a greater rate. This is attributed to the above mentioned projects, lower scrap rates at manufacturing sites, and better management.

Water Use

Aside from a modest amount of water we use to cool coffee beans after roasting, our roasting and packaging are dry processes. Because we use relatively little water in the manufacturing of our products, we do not track our direct operational water use on an ongoing basis. However, we continue to monitor the long-term availability of water, especially in the face of changing climatic conditions, to ensure we are using water responsibly, and we will begin to report our water use if it becomes material to our operations.

Though we use a relatively small amount of water in our facilities, we recognize that water is a critical natural resource that is of strategic importance to our business, our stakeholders, and the communities in which we operate. For instance, water availability and quality are vital to the regions where coffee beans are grown and important to customers who need access to quality water when using our beverage systems. For that reason, we have been taking a holistic look at water throughout our value chain so we can be better water stewards. We're also exploring additional avenues to create a positive impact on both the quality and the availability of water.

OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

Understanding
Impacts in Our
Value Chain

Working Toward
a Recyclable
K-Cup® Pack

Addressing
Product Waste

Product Quality
and Safety

Our Operations

THRIVING PEOPLE
AND COMMUNITIES

In fiscal 2014, we conducted a comprehensive water footprinting exercise to understand the full impact our business has on water resources throughout our value chain. Learn more about our [water commitment and corporate water footprint](#), the work we're doing in our [agricultural supply chain](#), and how we're [engaging consumers](#) about local and global water issues.

OUR WATER USE RATIO

Because roasting and packaging coffee doesn't require a lot of water, our water use ratio is very low. The ratio for a single cup of coffee brewed with a Keurig® 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.*^{**} We have started benchmarking our products using the water use ratio measurement, even though it's not typically a coffee industry metric, because it will be an important measure for our expanding beverage portfolio.

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 get a more comprehensive view of our water use throughout the value chain).



*Beverage Industry Environmental Roundtable and Antea® Group. 2014. Beverage Industry Continues to Drive Improvement in Water and Energy Use. 2013 Trends and Observations.

**The industry average reflects a range of beverage types, but does not include coffee.

OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

**THRIVING PEOPLE
AND COMMUNITIES**

Thriving People

Thriving Communities

Thriving People and Communities



OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

Thriving People

Thriving Communities

Keurig Green Mountain's 6,300 employees are helping us brew a better world as we work toward our ambitious 2020 sustainability targets. Our people are the ones who will drive us forward and they are critical to our success. Indeed, one of our targets centers specifically around workforce engagement: We will engage 100% of employees to understand our vision and values and present opportunities that allow them to contribute to our targets.

Keurig Green Mountain has a rich history of creating positive and sustainable change in the places where we operate. We strive to make a difference on important social and environmental challenges, while encouraging our employees to connect more deeply to these issues and with their communities. As part of our updated sustainability strategy, we have set a target to engage 1 million people in our supply chains to significantly improve their livelihoods including water security and climate resilience.

The Resilient Supply Chain section provides information about our programs and activities that contribute to our supplier communities (e.g., at the farms that grow the raw ingredients for our beverages and at the manufacturing facilities that assemble our beverage brewers).

THRIVING PEOPLE

We provide our people the opportunity to be inspired and to inspire others every day. Our talented and innovative team members are passionate about their work and enjoy giving back to their communities. Because of them, we were able to quickly grow from a regional coffee roaster into a leading innovator.

In fiscal 2013, we shifted our mindset from three distinct business units to that of one company. Through this, we increased the efficiency of our work style and created new opportunities for our people to grow and thrive.



Thriving
People



Thriving
Business



Thriving
Communities

Our team remains committed to three primary objectives as we work together to achieve our Company's purpose: Creating the ultimate beverage experience in every life we touch — from source to cup — transforming the way the world understands business. These three objectives are as follows:

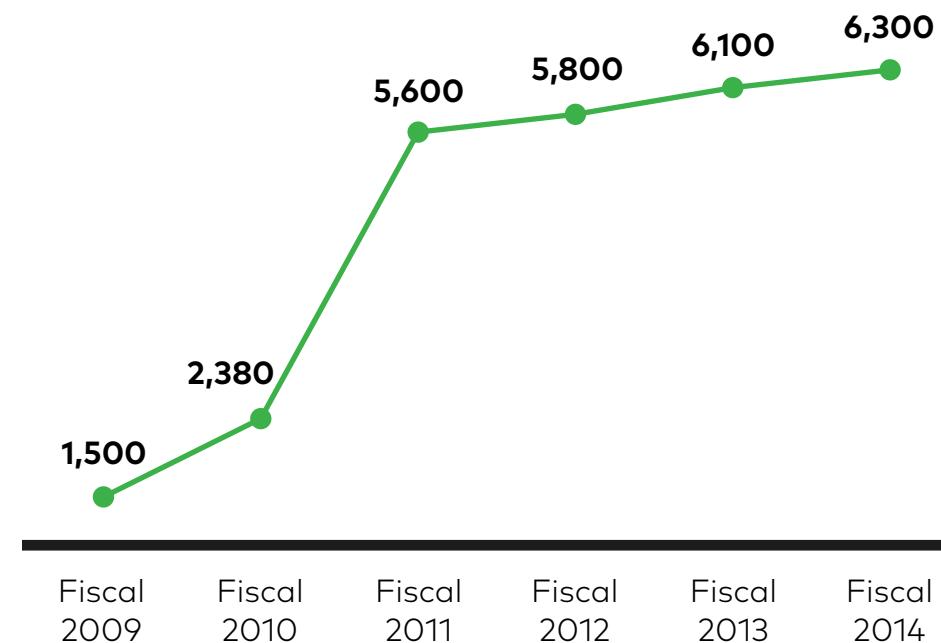
- Earn sustained growth through continuous innovation and passionate advocacy for our brands
- Achieve operational excellence, every day, to delight our customers and consumers
- Develop talent and culture to achieve our purpose and strategy.

Through growth and acquisition, Keurig Green Mountain has stayed focused on providing a meaningful and supportive work environment for all of our employees, whether they have been with us for decades or have recently joined our team. Approximately 43% of our people have been with us for three years or less.

Employee Engagement

Employees who are engaged at work are happier in their jobs, more successful in their careers, and make more meaningful contributions to our Company and to their communities. Employee engagement has always been an essential element of our people strategy. As we look ahead toward a continued future of bold innovation, it has become ever more critical.

NUMBER OF KEURIG GREEN MOUNTAIN EMPLOYEES



Regular employee feedback surveys tell us that our people are passionate about their workplace and communities and proud to be a part of Keurig Green Mountain. In fiscal 2014, we surveyed our people for the second year in a row using the Organizational Health Index (OHI) to help us become a more high-performing organization. Approximately 68% of our employees responded — a solid jump up from the 59% response rate the prior year. The survey results showed that we made progress in key areas that we identified as critical enablers of success.

OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

Thriving People

Thriving Communities

Other key mechanisms for employee engagement include volunteerism in the communities of our operations and our Company-sponsored "source trips" for employees to visit coffee-growing and brewer manufacturing communities. In fiscal 2014, we sent 97 employees to eight different countries. For the first time, the trips included visits to manufacturing facilities in Asia.

"I highly recommend the source trip as a way to educate employees, build relationships within the Company, bring hands-on coffee knowledge into the organization, and ultimately contribute to us developing better products. Equally important, I see the trips as being of considerable value in creating very strong bonds between Keurig Green Mountain and our suppliers (the importers, co-ops, and farmers). These strong relationships, and with them mutual understanding and commitment, are a great way to help ensure a reliable supply of quality product, at a reasonable price, for a long time to come."

- JIM LEWIECKI, Director Program Management, Burlington, Mass.



"As a coffee roaster, this trip will make me be a better roaster just from watching the love, labor, and pride of the people of Peru in harvesting the green coffee that is vital for my job. I don't want to waste a single bean because I know how hard it is to get it to me. I've always been interested in coffee, but I now have a new passion in learning everything I can about coffee."

- KEVIN FLORENO (pictured above), Coffee Roaster, Essex, Vt.

OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

Thriving People

Thriving Communities

Living Our Values

Values form the core of a company's culture. They help to articulate a common purpose while defining expectations and behaviors. To be meaningful, values must be authentic and need to resonate with employees at all levels of an organization.

In fiscal 2013, we launched a new set of values that reflect both our heritage and our future. They were developed after a multi-phase process that allowed for input from employees at all levels of our organization. These values, which we have been embedding into our daily operations, 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.

One of our 2020 targets is to engage 100% of our employees to understand our vision and values so they can help contribute to our targets. In fiscal 2014 and continuing in fiscal 2015, we are identifying key metrics and initiatives to develop and track toward this goal. We have added our values to the performance review process for all employees and are evaluating our people on their ability to weave the values into their day-to-day work. In our 2014 OHI survey, 72% of our employees affirmed that they are "able to bring our Company's values to life in my everyday work."

"My passion in cofounding the Vermont Professional Chapter of Engineers Without Borders was inspired by the work of our Supply Chain Outreach team who partner with our coffee-farming communities. Working with an NGO in Nicaragua, I was able to help bring food security and set up infrastructure for reliable clean water systems for the next 20 years to a coffee-farming community near Valencia, Nicaragua. Through these actions, I exhibit our Brewing a Better World value."

- CARRIE MC LAUGHLIN, Automation Engineer, Waterbury, Vt.

"With an entrepreneurial spirit, I saw a need to partner with local Vermont companies and create a recruiting network called the Vermont Recruiters Association to bring top talent to Vermont. This isn't about just working at one company or another; it's about sharing our resources and building partnerships statewide. Through this work, I represent our Company's Partnering for Mutual Success value."

- KURT NIELSEN, Sr. Technical Recruiter, Waterbury, Vt.

OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

Thriving People

Thriving Communities

"In Keurig Green Mountain's R&D Sensory Science department, we oversee the taste and quality of our many coffees, teas, and other beverages. We Play to Win by managing a sensory panel of 80 trained employees who test a variety of our beverages to ensure that they taste the way they are supposed to and are consistent with what our consumers expect."

- SHARON YELLIN, R&D Product Development Scientist
- PAULA FELDMAR, R&D Sensory Science Technician, Burlington, Mass.



AMBASSADOR PROGRAM

In fiscal 2014, we began a new program to give select, high-performing employees an opportunity to engage directly with consumers. As part of the Employee Ambassador Program, 50 employees from Massachusetts and Vermont were nominated to participate. Following a series of special training sessions, each employee will be asked to work up to four six-hour shifts in our one and only retail store, located in Burlington, Mass.

The program recognizes and rewards talented employees while providing a chance to gain new perspectives and real world interactions with our consumers.

"Working at the Keurig store was a great experience as an engineer. It gave insights into how the consumers interact with our appliances, possible future features, and how much they love them."

- STEVE MACKEY, Research & Development Engineer III, New Appliance Engineering, Burlington, Mass.

"The Employee Ambassador Program is a great way to interact with the heart of our Company — our consumers. The ability to speak directly with our consumers about our products and their experiences is an invaluable way to put perspective on everything we do."

- HOLLY RIST (pictured at left), Enterprise Architecture Senior Manager, Burlington, Mass.

Employee Retention and Development

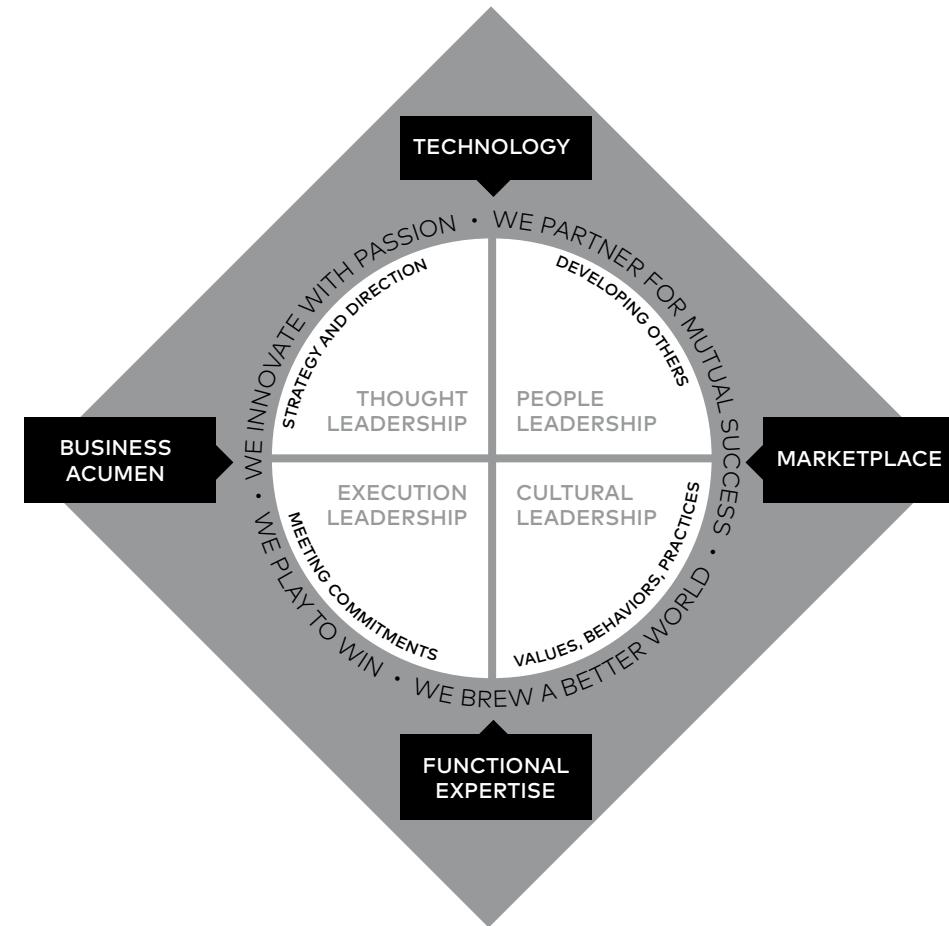
We seek to empower our people so they feel valued at work and so they can develop and advance their careers. We invest in our employees with a robust suite of learning and development programs that enable personal and professional growth and aid in our organizational development. These programs are one 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.

We have been creating new leadership development programs that will develop the skills in our leaders that are necessary to achieve our purpose, mission, and strategies. A series of new learning experiences was recently launched to build business acumen, improve leadership capabilities, enhance marketplace expertise, and boost technical competence. We are continuing to refine our programs so they remain in line with the needs of our business and our overall marketplace strategy.

One new leadership program — designed for both new and current employees — immerses individuals in all aspects of our business, from how our products work to how we make money. The multi-day training sessions are aimed at growing future leaders who can build a stronger Keurig Green Mountain.

168k In fiscal 2014, our employees logged more than 168,000 hours of training — an average of 27 hours per person.

BUILDING OUR KEURIG GREEN MOUNTAIN CAPABILITIES



OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

Thriving People

Thriving Communities

ROTATIONAL ASSIGNMENTS

We recently launched a new manufacturing leadership program that places new engineering college graduates into rotational assignments over a 14-month period at our Company. The assignments allow the participants to learn about a variety of aspects of Keurig Green Mountain, including coffee processing and roasting; portion pack manufacturing and packaging; planning and distribution; and maintenance. The rotational assignments follow the product life cycle, with special projects and learning activities to engage the participants along the way. Our first eight participants joined our Company in fiscal 2014. We see this program as a terrific way to attract new talent to Keurig Green Mountain and accelerate our ability to build a world-class talent pipeline. We are currently assessing opportunities to create similar rotational programs in other parts of our business.

Compensation and Benefits

We believe that 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 an incentive plan for all United States and non-unionized Canadian employees. Incentive pay is determined considering Company performance goals and individual or team achievements. Our compensation programs and benefit plans are evaluated annually to ensure our philosophy is aligned with our business strategies and that our total remuneration is competitive. In fiscal 2014, in an effort to improve the financial well-being of our people, we announced we would increase our United States retirement savings plan Company match. Beginning in January of 2015, we increased our match in our 401(k) to 4% from 3% in prior years.

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

An internal website, launched in fiscal 2013, encourages employees to complete wellness assessments, develop health targets, and participate in challenges. The idea is to create one central location where employees can engage in wellness goals that are meaningful to them. To encourage participation, we awarded 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 encourage participation. In fiscal 2014, more than 50 employees earned cash awards of more than \$1,000 each for participation in the program.

We are now working on ways 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 yearly annual physicals. Will these visits lead to reduced diagnoses of health concerns such as diabetes and heart disease? That is something we hope to discover in the coming years of our programs. (For more details of our compensation and benefits programs, visit [our website](#)).

STEPPING OUT

In fiscal 2014, 424 employees 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 100,000 miles from walking, running, and a host of other activities.

424
Employees who participated in a "Walk Across America" challenge

100k
Total miles logged

Diversity and Inclusion

Keurig Green Mountain 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 2014, United States employees self-identifying as minority made up 9% of management and 20% of our total workforce. Women made up 36% of management and 37% of employees overall. Among our 11-member Board of Directors, three are women. Of our 16 executive officers, four are women.

DIVERSITY*	FISCAL 2012	FISCAL 2013	FISCAL 2014
Women in management	37%	37%	36%
Women in workforce	35%	36%	37%
Minorities in management	10%	9%	9%
Minorities in workforce	20%	18%	20%

Thriving People

Thriving Communities

Health and Safety

The safety of our people is one of our highest priorities, and we have been working hard in recent years to improve our systems and processes and further reduce the rate of on-the-job injuries and accidents. We have had tremendous success — and we are now setting the bar even higher.

Since fiscal 2011, for our North American manufacturing sites we have seen a 48% reduction in the total recordable incident (TRI) rate that we report to the United States

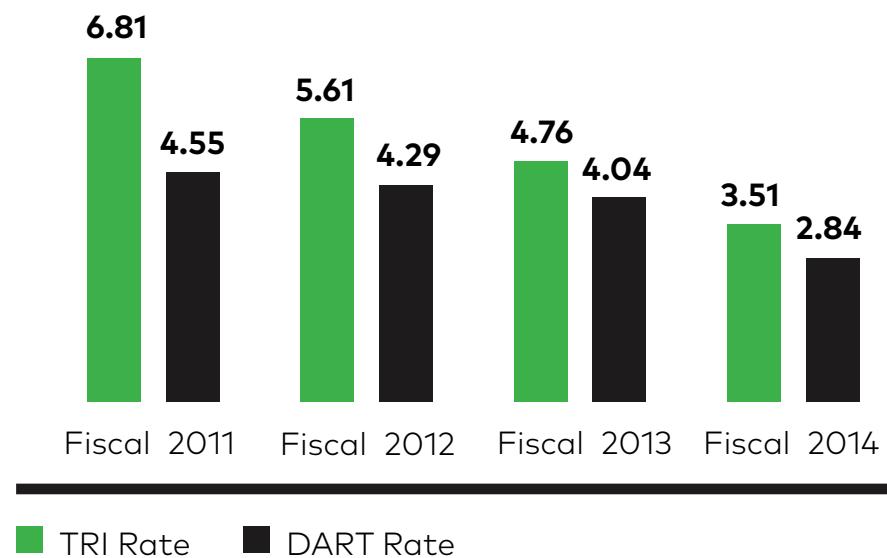
EMPLOYEE SAFETY	FISCAL 2012*	FISCAL 2013**	FISCAL 2014**
Injury severity (Days Away Restricted or Transferred, DART) rate	3.44	2.64	1.93
Incidence frequency (Total Recordable Incidence, TRI) rate	4.23	3.31	2.58
Industry DART rate (coffee and tea)	1.80	1.80	N/A
Industry TRI rate (coffee and tea)	4.10	3.10	N/A
Occupational fatalities	0	0	0

*Includes North American manufacturing sites and United States non-manufacturing sites. Prior reports incorrectly noted that 2012 data included only North American manufacturing.

**Fiscal 2013 and 2014 data include all company data. Industry data for 2014 were not yet available at time of publication.

Occupational Safety and Health Administration (OSHA). Our Days Away Restricted or Transferred (DART) rate has fallen by a substantial 38%. For several years, we aimed to have our manufacturing plants obtain injury incidence rates below the industry average. We no longer feel that is a high enough goal. 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.

NORTH AMERICAN MANUFACTURING SAFETY JOURNEY



NORTH AMERICAN MANUFACTURING INJURIES BY TYPE



	TRI Cases	DART Cases
Struck against	22%	19%
Slips, trips, and falls	21%	21%
Other	19%	18%
Lift/lower	17%	21%
Push, pull, twist	16%	18%
Repetition	5%	3%

Our fiscal 2013 and 2014 Company rates include all of North America. We began reporting our Montreal manufacturing facilities in 2012; in 2013, our data began including all Canadian manufacturing and non-manufacturing operations.

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 (see next page) 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.

New observational training 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. Plant manufacturing teams have targets for how many safety observations must be done in any given week.

To increase accountability among our team, we implemented new safety committees, comprised of line workers, at all of our sites. Every quarter, these safety committees get together via videoconference and share ideas for safety improvements. Peer-to-peer observations, performed by hourly employees on a rotational basis, also help to improve accountability and leadership on safety issues.

In addition to our safety culture work, we have been focusing on data management to verify the accuracy of our metrics and establish more consistency in the way we report and investigate an incident. In fiscal 2014 and heading into fiscal 2015, we are converting our data to run on our Company's new Sustainability Performance Management System (SPMS). The software will enable us to better track the injuries and incidents and create automatic follow-ups for improvements so we can avert similar situations in the future.

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.

As we continue to build and strengthen the Keurig Green Mountain 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.

Health and Safety Management

Our companywide Safety Council sets strategy for Keurig Green Mountain's safety programs. Comprised of about 50 members from all facets and levels of our operations, including senior management, plant directors, and other safety professionals, the council meets quarterly.

We have a team of 24 safety professionals who work closely with each manufacturing site to train staff and implement new strategies. In addition to the companywide Safety Council, each manufacturing site has a health 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 specific training to their work environment.

Supervisors go through a new 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. And in early fiscal 2015, we began rolling out peer-to-peer Safety Observation programs at all of our sites where we hadn't already incorporated such programs. Another new program we have implemented offers a library of more than 250 courses that contain safety and quality training for our United States and Canadian employees.

OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

Thriving People

Thriving Communities

In fiscal 2014, our people logged more than 110,000 hours in safety training — up from approximately 95,000 hours the prior year. 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.

One element of this platform is the Alchemy System, which provides both classroom and online training for our people. Its best-in-class SISTEM Coach feature offers an iPad based tool that gives supervisors and trainers an interactive way to observe and address safety procedures and processes. The iPad program facilitates coaching and positive reinforcements, serves as an auditing tool, provides root cause analysis to find and identify problems, and facilitates corrective actions and follow ups. It is fully integrated with all of our learning management system so our entire program is automated and paperless. Alchemy houses the database of records for all of our safety and quality regulatory reporting, making information available and easily accessible to each of our production sites.

Our work in fiscal 2014 continued to focus especially on ergonomics and engineering. Over the last three years, Keurig Green Mountain has invested close to \$12 million on projects targeting safety throughout our portion pack manufacturing plants. Recent 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. This program has also been adopted in some office areas and certain learning programs.



From Safety Laggard to Leader in Montreal

There was a time when Richard Noel, general manager of our Montreal plant, dreaded quarterly Safety Council meetings. Other Company plant managers could proudly demonstrate progress on safety results, charting solid improvements from one year to the next. Noel's plant, by contrast, had a dubious distinction: Montreal's safety results were consistently the worst of any Company facility.

"I was always presenting bad results," he said. "And our poor numbers were dragging the rest of the Company down."

In fiscal 2012, the plant, which had been acquired by us two years earlier, had a Total Recordable Incident (TRI) rate of 13.05 — three times higher than the Company average. Noel was tired of seeing workers injured on the job, and it was time to take action.

Back then, most of the injuries could be attributed to at-risk behavior by employees. Noel knew the plant needed to work on embedding Keurig Green Mountain's safety standards. But he also knew that his crew needed to go a step further. So he and the plant leadership team championed the development of a peer-to-peer safety program, along with numerous other safety initiatives.

They initially chose 12 shop floor employees to serve as leaders.

The dozen individuals were trained to analyze and identify at-risk behaviors among their peers. They created observation sheets that they then used as their guideposts when walking the plant floor. When they saw at-risk behaviors, they pointed them out to the individuals. But they also made sure to give positive feedback when they saw employees modeling good behavior.

By the end of fiscal 2013, the TRI rate had fallen to less than 8.0. By the end of fiscal 2014, it had dipped to an astonishing 2.65 — the second lowest of any Keurig Green Mountain facility. The number of accidents fell significantly too, from 27 in fiscal 2013 to 10 in fiscal 2014. Not only that, the number of lost time days as a result of those accidents fell substantially too. The fiscal 2013 accidents led to 619 lost days of work. The 2014 accidents resulted in only 22 lost days.

These days, the plant's workers are pushing for even lower injury rates — a tough task by any measure, but one that they are confident they can achieve. Today, there are 40 employees trained as observers, and the ultimate goal is to train all 425 workers as observers of each other.

"There's been a dramatic change in the culture, and when you walk in the plant you don't see the same attitude that people had before," Noel said. "There's a feeling of pride in what we have accomplished."

Noel is now working with safety leaders from across Keurig Green Mountain to share tips and support of what worked at his plant. And he no longer dreads those quarterly Company Safety Council meetings. In fact, he quite looks forward to them.

FISCAL 2012	FISCAL 2014
13.05	2.65
TRI rate	TRI rate
FISCAL 2013	FISCAL 2014
27	10
Accidents	Accidents
619	22
Lost Work Days	Lost Work Days

OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

Thriving People

Thriving Communities

THRIVING COMMUNITIES

We believe that being a good neighbor generates value for our Company, for our employees, and for our local communities. When our communities thrive, our business thrives. We aim to make an impact on important social and environmental challenges, while encouraging our employees to connect more deeply to the issues and with their communities.

Our approach is framed by our Company values. At Keurig Green Mountain, **we brew a better world**, using the power of business to make the world a better place. We also **partner for mutual success**, with a boundaryless approach to collaboration that creates benefits for all.

During fiscal 2014, we continued to engage and support local organizations and nonprofits through community investments, product donations, and volunteer efforts. Wherever possible, we have focused on opportunities and activities around water stewardship and food systems — two interconnected elements. We continue that focus as we look ahead, building particularly upon the strong connection our employees have to their local rivers and shorelines.

Volunteerism and Employee Engagement

Volunteerism is embedded in our Company's culture, and our employees take pride in giving back. We encourage our employees to engage with their local communities and organizations by giving them the time, as well as the opportunities, to do so. Our unique Community Action For Employees program — better known as CAFE — entitles every full-time Keurig Green Mountain employee to 52 paid volunteer hours each year.



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 foodbanks. Many employees volunteer on projects supported by the Company through community investments and product donations, resulting in multi-faceted relationships with local nonprofit organizations.

Employees often cite volunteerism as a valuable piece of our culture and a meaningful part of their work. In fiscal 2014, 51% of our total workforce — based on the average number of full-time employees for the year — participated in one of our volunteer programs. That was a decrease from 62% employee participation the previous year.

OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

Thriving People

Thriving Communities

We believe some of the reduction in the volunteerism rate in 2014 may have been related to time commitments, as the CAFE program is utilized during work hours. During the summer months, which are typically our busiest time for employee CAFE participation, our Company was preparing for the launch of our new Keurig® 2.0 brewer and introducing the production of multiple new products in our plants. For fiscal 2015, we are actively working to return volunteerism to historical levels.



"I had a terrific experience during the river cleanup. It's so wonderful to make a difference for our state, cleaning rivers with others from our Company and setting an example for other businesses."

- KATHY COX, Keurig Green Mountain Machine Operator, Essex, Vt.

COMMUNITY INVESTMENTS

Our community investments support organizations and projects that address community needs in line with our business objectives. In fiscal 2014, the community investment program targeted two focus areas: water stewardship and sustainable food systems. We identified these focus areas because they are important across both our operating and global supply chain communities, and they align with our business objectives.

Specifically, water stewardship investments focused on areas including access to clean water, conservation, innovation, awareness and education, and collaboration. Sustainable food systems investment grants included programs such as food donations to low income populations, community gardens, and education.

Our water stewardship efforts in fiscal 2014 included projects ranging from native plant restoration to water-related youth education projects near our facilities in Virginia, California, Tennessee, Massachusetts, and Vermont. For example, we allocated funding to support the Nansemond River Preservation Alliance in the Windsor, Va., region, as well as the Massachusetts-based Charles River Watershed Association's projects on Mill Creek. We continued to support the Elkhorn Slough Foundation's water stewardship programs near our Castroville, Calif., facility. Near our Sumner, Wash., facility, we created a new relationship with Citizens for a Healthy Bay to support middle-school water education and sampling. And in Knoxville, Tenn., we continued to work with Ijams Nature Center on our annual river rescue.

OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

Thriving People

Thriving Communities

WATER RESTORATION EVENTS



5

Keurig Green
Mountain
employee
events

7

Community
events

<400

Keurig Green
Mountain
employees

1,600

Community
participants

<30K

Pounds of trash
and metal debris
collected

840

Tires removed

For our employees, volunteering also provides avenues to apply skills and deepen connections with local nonprofit organizations. We are currently working to expand our CAFE program to include more skills-based volunteerism and to strengthen connections to water projects.

In fiscal 2014, as in prior years, many of our volunteerism efforts focused on water stewardship, with employees in five of our local communities working together to remove trash, metal, and tires from waterways near several of our sites. This year's events were expanded to include an additional day where members of our local communities were invited to take part in water restoration events and activities alongside our employees. These broader community cleanups resulted in 3,300 pounds of trash removed from local waterways.

We also sponsored volunteer events in several communities where we don't have production facilities, but where we do have consumers of our products. Through our long-term partnership with American Rivers, we supported three water restoration events in fiscal 2014. In New York City, we joined with community members and the Bronx River Alliance to clean up Concrete Plant Park on the banks of the Bronx River. In Los Angeles, 350 community members and the Los Angeles Waterkeepers — including a team of volunteer scuba divers from the Kelp Restoration Project — ventured to Dockweiler State Beach for a beach cleanup. In Miami, more than 200 volunteers joined with the Environmental Coalition of Miami & the Beaches to clean up Teachers Island, Flagler Monument Island, and Morningside Park Picnic Islands. The volunteers in Miami cleaned up hundreds of pounds of debris and sorted plastics to donate to Method, a cleaning-products company that turns trash from waterways back into useful materials.

OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

Thriving People

Thriving Communities

A MONTREAL RECIPE FOR PARTNERSHIP

In fiscal 2014, our Montreal operations initiated an innovative partnership with two Montreal-based organizations: Équiterre, a well-known nonprofit that seeks to encourage environmentally and socially responsible choices; and the Santropol Roulant, a multifaceted community organization that provides a variety of programs, including organic produce baskets and an intergenerational meals-on-wheels service for persons with reduced mobility. The objective of this initiative was to raise employees' awareness about food sustainability, while boosting our Company's collective impact within our communities. A "lunch and learn" on local and organic eating was held at our offices in May, which also helped direct employees to register for the Santropol Roulant's Fresh Baskets program. Our Montreal offices were added as a drop-off point, allowing employees to receive their baskets at work. The program is unique in that it has a strong focus on accessibility and economic solidarity by contributing to help families in need receive their own baskets. By paying a small premium on their baskets, Keurig Canada employees contributed more than \$4,000, which was matched by the Company to double the impact and help provide fresh, organic foods to individuals in need. Employees made the most of this partnership and participated in a CAFE time activity at the Santropol Roulant farm, a member of Équiterre's network of family farmers.

In a related employee engagement effort around water stewardship, in fiscal 2014, more than 100 Keurig Green Mountain employees from Vermont and Massachusetts participated in "Water Walks" with one of our partner organizations, charity: water. These experiences sensitize North Americans to the hardships of millions of people around the world as they struggle to access clean water on a daily basis. The events, which supported a larger charity: water [Rwanda campaign](#), helped to engage even more of our people around the issue of water, showing them what it is like to carry 40-pound jugs of water for miles each day.

As 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 Green Mountain 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). In fiscal 2014, we contributed more than \$213,400 through the matching donations program.

EMPLOYEE VOLUNTEERISM	FISCAL 2012	FISCAL 2013	FISCAL 2014
Total hours volunteered	71,610	64,250	57,755
Average hours volunteered per full-time employee	12.7	11.0	9.4
Employees volunteering (as a percentage of average full-time employees)	64.9%	62.0%	51.2%
Total spend on volunteerism programs	\$1,434,900	\$1,395,100	\$1,250,400

Product Donations

Product donations are an important part of our Company's support of our communities.

We offer in-kind donations of brewer and beverages to nonprofit, community, and municipal organizations within our operating regions. We also work closely with foodbanks 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 foodbanks near our plants and distribution centers, we can avoid sending excess products to landfill and strengthen connections with local communities.

We also have a relationship with the largest hunger relief organization in the United States, Feeding America. When quantities of donations are too large for local foodbanks, we work through Feeding America to distribute them across the organization's national network. We have a similar relationship with Food Banks Canada.

+1,500 +5,000



Brewers donated to support charitable fundraising and nonprofit programs



Organizations supported through product donations



Our Windsor, Va., facility, had an 82% employee volunteerism rate for fiscal 2014, the highest of all of our locations. Knoxville, Tenn., was a very close second, with just over 81% of employees participating in volunteer activities.

"There are not a lot of companies that offer paid volunteer time to their employees. I appreciate having the chance to help out where it is so needed."

— CAROL MARKERT, Keurig Green Mountain Quality Assurance Technician, Windsor, Va.

OVERVIEW

WATER STEWARDSHIP

RESILIENT
SUPPLY CHAIN

SUSTAINABLE
PRODUCTS

THRIVING PEOPLE
AND COMMUNITIES

Thriving People

Thriving Communities

"Keurig Green Mountain's support has had a deep and lasting impact on the health of rivers and the spirit of volunteerism and stewardship in river communities nationwide. By supporting river cleanups, restoration projects, and public education efforts, Keurig Green Mountain is ensuring future generations will enjoy clean water and healthy rivers. We are very grateful for their commitment to river conservation and ongoing support of American Rivers."

— BOB IRVIN, President, American Rivers

PRODUCT DONATIONS

Donations of product, equipment, and administrative supplies (cost of goods sold, in thousands)

\$1,658	\$848	\$334
Fiscal 2012	Fiscal 2013	Fiscal 2014*

*In fiscal 2014, the product donations program shifted to focus our impact in the communities where we operate and to align with strategic community and sustainability priorities.



HOLY JOE'S CAFÉ

One of our primary donation channels is the nonprofit organization Holy Joe's Café, which sets up cafés on military bases in combat zones and keeps them stocked with coffee. We began partnering with them in 2007 and have since provided thousands of pounds of coffee to United States bases to be served at Holy Joe's Cafés and military hospitals. In fiscal 2014 Keurig Green Mountain provided 3,700 pallets of product, or approximately 33 million K-Cup® packs, to bases in 25 different countries served by Holy Joe's Cafés. Our relationship with Holy Joe's Café helps us get our coffee and brewers in the hands of more troops, and, in a small way, show our appreciation. A cup of coffee is more than just a hot beverage; it's a reminder of home.

KEURIG GREEN MOUNTAIN, INC.

33 Coffee Lane, Waterbury, VT 05676

phone 1.800.545.2326

email sustainability@keurig.com

www.KeurigGreenMountain.com

CONTENT

BuzzWord, Inc.

www.GoBuzzWord.com

DESIGN

Celery Design Collaborative

www.CeleryDesign.com

