



Sustainability Report FISCAL 2012

Overview

Welcome to the Green Mountain Coffee Roasters, Inc. (GMCR) fiscal 2012 sustainability report.

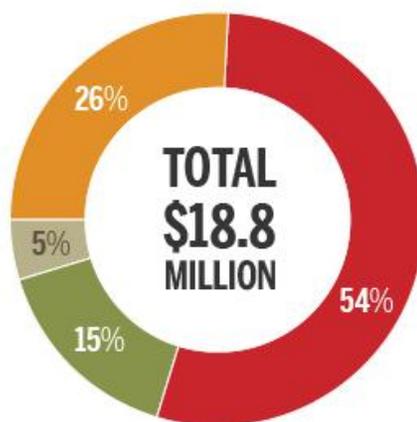
At GMCR, we are passionate about innovation and have a strong sense of responsibility to give back to the communities we're connected to, both in North America and in the communities around the world from which we source our coffee and other products. In short, we intend to improve the world through our business — **Brewing a Better World TogetherSM**. While our commitment has remained strong as our Company has grown, we saw a need to better articulate our strategy for responsibility and align it with the growth, innovation, and product diversity that characterize our business today. During fiscal 2012, we began the process of updating our corporate social responsibility strategy to reflect the changes in our Company and the global environment in which we operate.

Please explore this overview section to learn more about our Company, our leaders' views on sustainability at GMCR, our progress, and how we are updating our sustainability strategy, among other topics.

Our Purpose and Principles

We create the ultimate coffee experience in every life we touch – from tree to cup – transforming the way the world understands business. To learn more about the principles that guide how we work together – encompassing everything from communications and leadership to shared ownership and sustainability – please visit www.gmcr.com/purpose-and-principles.html.

Amounts Awarded in Fiscal 2012 to Philanthropic Initiatives¹



\$.87 MILLION

Signature Cause

\$2.89 MILLION

Domestic Cash Grants

\$10.15 MILLION

Supply Chain Cash Grants

\$4.88 MILLION

Other

(volunteerism, environmental/innovation projects/relationships/carbon offsets)

¹ In fiscal 2012, GMCR designated \$28.8 million for Philanthropic Giving of which \$18.8 million was awarded to recipients through grants and donations during fiscal 2012. The remaining \$10.0 million of fiscal 2012 designated funds will be awarded in fiscal 2013.



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About Our Company

A leader in specialty coffee and coffee makers, Green Mountain Coffee Roasters, Inc. (GMCR) is recognized for its award-winning coffees, innovative brewing technology, and environmentally and socially responsible business practices. GMCR's multi-brand portfolio and multi-channel distribution strategy are aimed at changing the way North Americans prepare and enjoy coffee and other beverages both at home and in the workplace.

The Company's Keurig® Single Cup Brewing System, embodied by a premium brewer portfolio and an expanding family of quality beverage brands, provides consumers the benefits of convenience, variety, and great taste consistently with an aim to achieve a brewer on every counter and offer a beverages for every occasion.

Our headquarters is located in Waterbury, Vt. To support customer growth in North America, we utilize separate selling organizations and different selling strategies for each of our multiple channels of distribution. We manage our operations under three business units: the Specialty Coffee business unit (SCBU), the Keurig business unit (KBU), and the Canadian business unit (CBU). For more information about our business units and our family of brands, please refer to our [fiscal 2012 annual report](#).



¹ Waterbury, Essex Junction, and Williston, VT. In fiscal 2012 we opened an Enterprise office in South Burlington, Vermont.



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GMCR Operations (Fiscal 2012)

Employees worldwide	5,800
Number of brands within the Keurig® Single Cup Brewing System	32
Beverage varieties	225+
Countries where our facilities are located	United States, Canada
Manufacturing facilities	9
Fiscal 2012 net sales	\$3.9 billion
Fiscal 2012 net income	\$362.6 million
Fiscal 2012 stockholders' equity ¹	\$2.3 billion
Fiscal 2012 net income per diluted share	\$2.28
Fiscal 2012 charitable activities	\$28.8 million

¹ The fiscal 2012 stockholders' equity balance reflects common shares acquired under a repurchase program authorized by the Board of Directors.

CEOs' Dialogue

In December 2012, Brian P. Kelley (BK) assumed the role of GMCR president and CEO, taking over from Lawrence J. Blanford (LB), who led our Company for nearly six years. The two executives sat down with our corporate social responsibility team for a far-reaching discussion about the business and sustainability, exploring where our Company has been and where we are headed. Excerpts of their conversation are found below.

Question: How has the GMCR dialogue regarding sustainability changed as the Company has grown and evolved?

LB: The world has become increasingly complex, and companies must be far more proactive and transparent as they respond to broader societal pressures. We've been on a tremendous growth track, moving from several hundred million in sales to several billion, from under 1,000 employees to nearly 6,000 employees. As we have grown larger, we have a responsibility to proactively communicate the strategy of our Company.

BK: That's one of the big opportunities we have because we have people who truly believe in sustainability and believe it's the right thing to do and that it ultimately will benefit our business too.



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Question: Coming into the Company with a fresh perspective, Brian, where do you see GMCR doing well in socially and environmentally responsible business performance, and where do you see the biggest areas of opportunity for us?

BK: We do really well on strategic impact. If you look at the entire supply chain, as well as how we integrate sustainability into our products, every program we have is designed to be more sustainable for the consumer in one area or another. The impact we're able to make on our local communities and the impact we're making on our employee base — it's authentic, it's real, and the impact gets greater as we grow.

I haven't seen a company with this kind of genuine, integrated sustainability commitment. It's one of the key elements that attracts people to us, and it's one of the elements that attracts consumers to our brands. That's really our opportunity: How do we stay in the lead and continue to stay on the leading edge.

Question: What industry challenges are coming down the road in the next five years?

BK: I think the resource shortage is real, no matter what resource you look at — whether it's access to water, access to energy, or access to land. Resource scarcity is a concern in terms of how we buy products, how they're shipped, how they're consumed, and what happens with the products at the end of their life cycles. Is there a clear path for getting that product back to useful life again in some other form? I think there are lots of opportunities in front of us.

LB: Historically, we've been very focused on one primary commodity — coffee — and ensuring that the world and GMCR have adequate supplies going forward when faced with climate change impacts or political risks. But now we're moving from coffee to apples, strawberries, cocoa beans, tea, and a host of other ingredients that have their own supply chains. While we understand the coffee supply chain pretty well, we're only beginning to understand how we facilitate the sustainability of our other supply chains and ensure high-quality supplies for our business going forward.

On the brewer side, the supply chain continues to become more complicated in that we are moving from one manufacturer with one platform in one country to multiple platforms, with multiple manufacturers in multiple countries. The opportunity for us to continue to think about sustainability on our supply chain side continues to expand exponentially and will be very challenging.

Question: How does the Company's new sustainability strategy, and the three pillars of Resilient Supply Chain, Sustainable Products, and Thriving People and Communities, tie back to GMCR's business?

BK: The three work very well together. You can't have a full sustainability agenda without accomplishing all three. Resilient supply chain gets a lot of attention. So does employee and community engagement. The one in the middle — sustainable products — is the one we have to make sure we thoroughly integrate. I think we've done a really good job on the two ends of that strategy.

Question: Brian, how do you feel that your experiences at other companies will influence your sustainability vision and strategy work?

BK: I've been fortunate to be with companies that are committed to sustainability. Sustainability does mean different things to different companies. But at the end of the day, having a sustainable supply chain, having a community and



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employee base that is fundamentally on board and committed to it, and having products that deliver it — those are three common strategies. It's very hard to get all three working in harmony. The alchemy of it is not a simple thing. You've got to put this mix together and make it work.

I've seen that the challenge can be economic. We all believe that what is lean and productive financially is also sustainable, but it's not always evident early on. And it's not always easy to make those commitments in the short term. The most important questions are these: Do you have a team that is fully committed? Is sustainability part of the ethos of the Company? I think that's the benefit we have here at GMCR. People are thinking about sustainability in the intent of product design, in process design, in how we sell, how we manufacture, and how we operate.

LB: And I would suggest so much so that if our folks feel that for some reason we're off-kilter, they tell us. And that's fantastic.

Question: Do you see opportunities for increased industry action in some of these areas?

BK: It's hard to prompt industry action if you're not doing it yourself - that's Principle Number One. The second piece is you can't do much on your own. Things work better when you work as a team and you collaborate. Whether it's between us and our industry, or between us and governments or NGOs, there are lots of opportunities out there.

LB: One of the principles we've tried to use at our Company is to let science and facts guide our initiatives, as opposed to emotion. We also build credibility as we go forward by carefully picking those areas where we can truly make a difference. And there are only a few areas where we can uniquely be that leader. Packaging is certainly one of them and coffee supply chain is another. By focusing our efforts, we can develop a leadership position and help move the industry.

BK: And all the while we must recognize that there's a lot out there that we still don't know and there are others who know a lot more than we do. I think that's been the spirit all along: we don't know everything, but we can learn quickly. Participation in multi-stakeholder initiatives is a key way in which to inform ourselves and contribute to the growing base of knowledge on the intersection of business and sustainability. Our participation in the United Nations Global Compact and commitment to the integration of UNGC principles into our business is one example.

Question: Based on your experience, do you think sustainability is relevant to our shareholders?

BK: I don't think there's any question sustainability is relevant and important to our shareholders. We want products that bring real pleasure and joy, alongside sustainability. That's the value consumers are buying today. So our shareholders' interests and our interests in sustainable products, sustainable employees, sustainable communities, sustainable supply chains — I think they're perfectly aligned.



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Message from Michael Dupee, VP CSR

Friends,

All around us, we see transition. In our work at GMCR, as well as in the larger world, there is always change on the horizon. We take great pride in our Company's ability to thrive in complex times, and the current moment is no different. In fact, this year may mark one of the biggest turning points in the history of GMCR; we are in the midst of changes that will enable us not only to continue the work we've always been committed to, but also to put our best foot forward and strengthen our positive impacts — and our business — in the years to come.

We recently welcomed a new CEO at GMCR. Brian Kelley took the helm at the end of 2012. Brian is bringing fresh eyes to our Company following a period of enormous growth over a very short period of time.

A fundamental change we have embraced is the creation of a comprehensive revision to our sustainability strategy. Engaging substantively in corporate sustainability, and doing our best to get it right, is core to our Company. We launched our Brewing a Better World® framework in 2006, and it has served us exceedingly well. But over the last seven years, we have evolved in every dimension — the size of our Company, its scope and reach, the number of products we offer, the array of locations where we operate, the number of employees and business partners, and so forth. Just as important, the world has changed and continues to change at an ever more rapid pace. Now is the time to make sure our sustainability work remains tightly aligned with our business and our most important challenges and opportunities.

We have already kicked off work on our [revised sustainability strategy](#) by bringing together our thinking with that of noted experts to guide us to set a high standard for what an economically, environmentally, and socially sustainable GMCR means.

The first phase of our work involved a rigorous materiality analysis to uncover which issues most impact our Company and the entire spectrum of our stakeholders. This process has been exhaustive and at times challenging, but it's one that I believe reflects GMCR at our best. Throughout our work, we place a premium on collaboration, innovation, self-reflection, and transparency, and we emphasize this in our sustainability work as much as in the rest of our business. We expect to use this process to push the boundaries of what's possible for our sustainability efforts, to set aggressive goals, and to use our experience with innovation as a competitive advantage to achieve those goals. In the spirit of transparency, we've published the [matrix of material issues](#) resulting from this work.

Through this process, we have also established a new framework under which to organize our work. Where we once had six areas of activity, we now have three pillars to describe the results we want to achieve in the world: a resilient supply chain, sustainable products, and thriving people and communities. The framework also provides the structure for this and future reports.

GMCR has high ambitions in all it does. Sustainability is no different — a fact confirmed by GMCR employees at all levels of the organization throughout the strategy review. Our sustainability ambition is grounded in what is good for GMCR's business and its stakeholders: now and in the future. The challenges and opportunities we face are huge, in every phase of the value chain from farm to cup. Our new strategy framework, and the steps we will take in the next year to build it out, will position us to build on our strong tradition of responsibility while delivering more value for our employees, the communities that host our facilities, our business partners, shareholders, and stakeholders all along our value chain. We welcome your insights and feedback on our approach and our reporting.

*- Michael Dupee
Vice President, Corporate Social Responsibility*



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Fiscal 2012 Summary of Progress

This chart summarizes our fiscal 2012 goals and our progress toward them. Our goals for fiscal 2013 can be found throughout this report. As part of our sustainability strategy work, we're developing longer-term goals that will be launched in our fiscal 2013 report.

Achieved

Partially achieved/
in progress

	Stated Goal – Fiscal 2012	Results – Fiscal 2012	Assessment
 <p>Resilient Supply Chain</p>	<p>We will work to find innovative ways to raise awareness and rally the coffee industry around food security issues, while expanding or initiating food security projects that support at least an additional 20,000 families.</p>	<p>We funded food security projects implemented by NGO partners that supported income diversification, home food production, and a variety of other activities addressing food security needs for over 20,000 families around the world in fiscal 2012. Additionally, the <i>After the Harvest</i> documentary we funded was translated to Spanish and shown in 5 countries. The film aired on 10 main PBS television channels and 51% of all secondary channels across the U.S.</p>	
	<p>We expect to release our Monitoring and Evaluation Guide for Funded Projects to our supply chain grantees, translate the guide into Spanish, and further support our grantees through workshops on implementing the guide.</p>	<p>We released our new Monitoring and Evaluation Guide for Funded Projects in English and Spanish, enabling us to better evaluate the impacts we have among our supplier communities. We designed and executed an implementation workshop in Nicaragua.</p>	
	<p>We will strengthen and expand our current supply chain transparency program to be more comprehensive and help suppliers develop capabilities to actively participate in the program.</p>	<p>We established an enterprise-wide Purchasing Council that incorporates consideration for supplier environmental and social responsibility practices to ensure robust and integrated policy, procedure, and supplier engagement.</p>	
	<p>We will maintain our grant support of water resource management projects and advance our understanding of their impact by the end of fiscal 2012, identifying partners and clear support of our policy on the Human Right to Water.</p>	<p>We increased our commitments to supporting water resource management projects, providing more than \$1.6 million in funding for three partner projects in Central America, improving/creating access to potable water for farming communities.</p>	



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Sustainable
Products
no
deforestation

We have set goals to reduce our energy use metric at our Castroville, Calif., and Knoxville, Tenn., facilities by 5% and 3%, respectively.

We exceeded our goal to become more energy efficient at the Knoxville, Tenn., facility. Our Castroville, Calif., facility was unable to meet its reduction target, whereas our multiple facilities in Vermont, and those in Sumner, Wash., and Montreal, Canada – all anticipated to stabilize at zero percent growth – were able to reduce their energy use metric by anywhere from 4 to 17% (therms/\$1,000 net sales).



We plan to reduce our waste sent to landfill metric at our facilities in Castroville, Calif., Knoxville, Tenn., Sumner, Wash., and all Vermont facilities by 2% to 15%, depending on location.

We experienced mixed results with reductions to our waste sent to landfill metric, with reductions in Castroville, Calif., and Knoxville, Tenn., and increases in Sumner, Wash., and multiple facilities in Vermont. At the same time, we more than tripled the amount of waste chaff, burlap, coffee, powder, and tea that we composted, and increased recycling of corrugated boxes, boxboard, paper, and plastics by 50% across these same facilities as compared to fiscal 2011.



We anticipate processing 2,000 tons of Keurig® brewers for reuse and recycling through our Brewer Returns program in the U.S.

We processed 2,600 tons of Keurig® brewers for reuse as nonfunctional retail models or for 3rd party recycling of 90% of individual brewer components through our Brewer Returns program in the U.S., outperforming our target of 2,000 tons.



To reflect our growing family of brands, we expect to set new goals for the volume of sustainable coffee we sell.

New goals have been set for the volume of Rainforest Alliance Certified™ and Fair Trade Certified™ coffees sold by our Timothy's World Coffee® and Green Mountain Coffee® brands.



Our Green Mountain Coffee® and Newman's Own® Organics brands will work to expand pounds of Fair Trade coffee sold and build awareness of the benefits of the Fair Trade model.

Our brands continued to increase pounds of Fair Trade coffee sold, and the Green Mountain Coffee® brand built awareness of the benefits of the Fair Trade model through marketing campaigns and a partnership with Fair Trade USA.



Our Timothy's World Coffee® brand will explore opportunities to work with the Rainforest Alliance to promote the benefits of Rainforest Alliance certification.

Our Timothy's World Coffee® brand sold 50% Rainforest Alliance Certified™ coffee, as compared to our 2012 goal of 40% of total coffee sold by the Timothy's World Coffee® brand; we worked with the Rainforest Alliance to promote the benefits of Rainforest Alliance certification during Follow the Frog week.



Our Tully's Coffee® and Green Mountain Coffee® brands will continue to expand their Signature Cause initiatives, and we will begin developing signature causes for our Keurig® and Van Houtte® brands.

We implemented successful Signature Cause campaigns for the Tully's Coffee® and Green Mountain Coffee® brands.





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<p>Thriving People and Communities</p>	<p>We expect to fill at least 20% of our new positions internally.</p>	<p>We exceeded our internal hiring goal by filling 26% of positions with internal GMCR candidates. External hiring has been primarily due to job creation and the opening or expansion of our facilities.</p>	●
	<p>We will deliver another module of the “Our Winning Combination” business literacy program.</p>	<p>We developed a new module of our business literacy program with a focus on our GMCR people and culture and rolled it out to our sales team.</p>	●
	<p>We will again work with the Great Place to Work® Institute to measure progress in fostering workplace excellence.</p>	<p>We measured employee satisfaction and engagement with an 81% employee participation rate in a companywide survey.</p>	●
	<p>We will continue to invite employees across all levels and business units on origin trips to coffee-growing communities.</p>	<p>We sent 35 employees across all levels and business units on origin trips to four coffee-growing countries.</p>	●
	<p>We will fully implement our Employee Community grant program at all U.S. sites and introduce the program to our new Windsor, Va., site.</p>	<p>We completed implementation of new Employee Community Grant program at all fully operational U.S. sites and increased employee participation in volunteer programs across the Company by 5.5% over fiscal 2011.</p>	●
	<p>We will begin to implement a more targeted approach to product donations that develop and support specific long-term partnerships.</p>	<p>We initiated large-scale product donation partnerships with Feeding America and four regional food banks.</p>	●
	<p>We will work with our Canadian business unit (CBU) to begin the Employee Community grant program as well as the Community Action for Employees (CAFE) and Dollars-4-Doers programs at facilities in Canada.</p>	<p>We began implementing all domestic outreach programs at Canadian sites.</p>	●



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Fiscal 2012 Key Data Summary

The chart below summarizes our fiscal 2012 goals and our progress toward them. our goals for fiscal 2013 can be found on the last page of this report. as part of our sustainability strategy work, we're developing longer-term goals that will be launched in our fiscal 2013 report.

		Fiscal 2010 ¹	Fiscal 2011	Fiscal 2012	
Resilient Supply Chain 	Manufacturing	SUPPLIER WORKPLACE ASSESSMENTS			
		Suppliers included in GMCR's risk assessment process (by percent of total spend)	Not Applicable	44% ²	46%
		Number of workers employed at assessed supplier factories	Not Applicable	Not Applicable	30,000+ ²
	Agricultural	COFFEE PURCHASING			
		All Fair Trade certified organic and non-organic lbs. purchased (in thousands) and percentage of total lbs. purchased	23,501 / 27.8%	45,956 / 23.1%	50,919 / 24.6%
		Rainforest Alliance Certified™ non-organic lbs. purchased (in thousands) and percentage of total lbs. purchased	2,690 / 3.2%	17,853 / 9.0%	15,499 / 7.5%
		All organic lbs. (no other certification) purchased (in thousands) and percentage of total lbs. purchased	83 / 0.1%	199 / 0.1%	14 / 0.0%
		Farm identified lbs. purchased including all certified coffees (in thousands) and percentage of total lbs. purchased	31,742 / 37.6%	83,293 / 41.8%	97,238 / 47.1%
		Total coffee lbs. purchased (in thousands)	84,548	199,149	206,635
		SUPPLY CHAIN COMMUNITY GRANTMAKING			
		Total grant donation dollars to supply chain communities (in thousands)	\$3,214	\$8,152	\$10,154
	Total families and individuals receiving food security support via GMCR-funded partner projects	17,035 / 88,161	19,062 / 96,371	20,136 / 95,430	

¹ These numbers have been revised to reflect Green Mountain Coffee Roasters, Inc.'s restatement of its financial statements for the first three fiscal quarters of its 2010 fiscal year, all as more fully set forth in its Annual Report of Form 10-K for the fiscal year ended September 25, 2010, filed with the Securities and Exchange Commission on December 9, 2010.

² Baseline year.

³ Fiscal 2010 and 2011 operational metrics included facilities in Calif., Mass., Tenn., Vt., Wash., and Toronto, Ontario. Fiscal 2012 included all operational facilities. Progress in measurement across recently acquired facilities allows for retroactive inclusion of more sites for Sustainability reporting (for fiscal 2010 and 2011) than we covered in our Annual Report for the same fiscal years.

⁴ Starting in fiscal 2012, we are reporting according to coffee "sold" on a going-forward basis. Previous years were tracked and reported based on coffee lbs. "shipped," defined as finished goods that have left possession of GMCR and entered into possession of a customer. Not all shipments result in a "sale" in the same fiscal year. Shipped coffee may also be used for samples, donations, and other non-sale applications.

⁵ We currently track and report carbon dioxide (CO₂) emissions only.

⁶ We offset 100% of estimated emissions from our measured carbon footprint through the voluntary purchase of Renewable Energy Certificates. Consistent with U.S. Environmental Protection Agency guidance, we began recording zero Scope 2 emissions based on purchased offsets in fiscal 2010.

⁷ U.S. operations only.



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		Fiscal 2010 ^{1,3}	Fiscal 2011 ³	Fiscal 2012	
Sustainable Products 	Consumer	MARKETPLACE			
		All certified coffee lbs. sold (in thousands) and percentage of total lbs. sold ⁴ (Fiscal 2010 and fiscal 2011 numbers represent coffee shipped; fiscal 2012 numbers represent coffee sold.)	17,713 / 25.3%	36,234 / 27.7%	46,269 / 24.8%
	Operations	WASTE			
		Solid waste to landfill as a percentage of revenue (tons/\$1,000,000)	1.6	1.2	1.0
		ENERGY			
		Direct energy use as a percentage of revenue (therms/\$1,000)	3.2	3.6	3.0
		EMISSIONS⁵			
		Scope 1 - Direct emissions (short tons) Enterprise total (in thousands)	14	36	35
		Scope 2 ⁶ - Purchased electricity (short tons) Enterprise total (in thousands)	--	--	--
		Scope 3 - Indirect emissions (short tons) Enterprise total (in thousands)	52	72	97
Tons of estimated greenhouse gases emitted and offset through "forward stream" purchases from NativeEnergy (direct and indirect from operations, in thousands)	66	108	132		

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		Fiscal 2010 ^{1,3}	Fiscal 2011 ³	Fiscal 2012	
Thriving People and Communities 	People	HIRING AND DEVELOPMENT⁷			
		Internal hiring	23%	21%	32%
		Average training hours per full-time employee	45	44	49
		SAFETY			
		Injury severity (Days Away Restricted or Transferred, DART) rate	3.21 ⁷	2.88 ⁷	3.40
		Workers' compensation claims	145	135	188
		Injury frequency (Total Recordable Incidence, TRI) rate	4.03 ⁷	4.80 ⁷	4.20
		Occupational fatalities	0	0	0
		RETENTION AND SATISFACTION			
		Employee retention	91.4% ⁷	93.5% ⁷	89.3%
	Communities	DOMESTIC COMMUNITY GRANTMAKING			
		Total grant/matching donation dollars to local communities (in thousands)	\$1,703	\$1,248	\$2,890
		VOLUNTEERISM			
		Employees volunteering through workplace volunteerism programs (as percentages of average full-time employees)	54.8%	59.4%	64.9%
Total hours volunteered through workplace volunteerism programs		15,528	30,586	71,606	
Total dollars allocated to workplace volunteerism programs (in thousands)		\$361	\$663	\$1,435	
IN-KIND DONATIONS					
Donations of product, equipment, and administrative supplies (cost of goods sold, in thousands)	\$630	\$1,459	\$1,658		

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Fiscal 2013 Goals

Resilient Supply Chain Fiscal 2013 Goals

- We will evaluate the impacts of previously funded water resource management projects and establish key performance indicators to incorporate in the Monitoring and Evaluation Guide for Funded Projects.
- We will promote and support industry-wide action through collaboration on a project addressing food security challenges in coffee-farming communities while expanding our funding of projects to support another 10,000 families.
- We will provide grant support to partners for at least three projects with our brewer manufacturers to address worker-identified needs including personal development, educational opportunities, and support for early childhood care and development initiatives within the local community.
- We will execute a revision of the GMCR Supplier Guidelines and accompanying communication tools for suppliers with more definition regarding migrant workers, child labor, business integrity, and indigenous people.
- We will maintain our focus on key suppliers and continually improve alignment across business units and with Procurement and our Supply Chain Community Outreach efforts to ensure lasting benefits for workers, communities, and our business.

Sustainable Products Fiscal 2013 Goals

- We have set specific targets to improve our energy efficiency while accommodating increased energy use for production needs. Target improvements for energy efficiency are 6% for our Montreal operations and stabilization in Toronto operations, compared to fiscal 2012.
- Over the next two years, we will install sub-meters and an associated monitoring system on our packaging and roasting processes in our Specialty Coffee business unit to obtain more granular data on energy use at our plants; we anticipate the development of a new metric to measure progress as a result of our learning.
- We will increase the amount of waste that we can avoid sending to landfill (waste diversion rate) for our Specialty Coffee business unit by 5%.
- We will continue our commitment to Fair Trade:
The Green Mountain Coffee® brand intends to have 35% of coffee sold (by volume) be Fair Trade Certified™ and plans to convert its top-selling Nantucket Blend® variety to Fair Trade Certified™ in fiscal 2013; this will represent about 5 million pounds of new Fair Trade volume.
- We will continue our commitment to the Rainforest Alliance:
The Timothy's World Coffee® brand intends to sell 70% of coffee by volume that is coming from Rainforest Alliance Certified™ farms.

Thriving People and Communities Fiscal 2013 Goals

- We will continue to build an exceptional workplace consistent with our culture and purpose by:
 - Engaging employees in workgroups and teams to develop and implement action plans for workplace excellence in response to our 2012 engagement survey
 - Refining our benefits offering in support of employee well-being
 - Continuing to enrich our learning offerings
- Our Employee Community Grant program will be active in all domestic locations in the U.S. and Canada, and teams at each site will begin to strengthen their relationships within their focus areas while also beginning to establish a method for measuring impact. Additional opportunities for employee engagement and skill development will be designed into the program.
- We will connect employees with volunteer opportunities that allow them to deepen their skills and/or apply their skills to the needs of the community.
- We will transition to a strategic product donation model that directly supports measurable outcomes for communities and the business.

Material Issues Across the Value Chain

Understanding Our Value Chain Issues

Material sustainability issues must be managed strategically across the entire value chain. Our value chain encompasses both agriculture and manufacturing; in this table, we share our view on which issues apply in each part of the value chain.



Manufacturing

	VALUE CHAIN STAGES						
	Cultivation	Drying/ Packaging	Processing	Packaging	Distribution	Use/ Consumption	End of Life
RESILIENT SUPPLY CHAIN							
Farmer Capacity Building	☐☐	☐☐					
Food Security	☐☐	☐☐					
Climate Adaptation	☐☐	☐☐					
Supply Chain Labor Conditions	☐☐	☐☐	↔		↔		
Land Use	☐☐						
Biodiversity	☐☐						
Soil Health	☐☐						
Water Availability	☐☐	☐☐	↔				
Water Quality	☐☐	☐☐	☐☐↔				
Waste	☐☐	☐☐	☐☐↔	☐☐↔		☐☐↔	☐☐↔
SUSTAINABLE PRODUCTS							
Sustainable Design and Materials			↔	☐☐↔	☐☐↔	☐☐↔	☐☐↔
Product Safety						☐☐↔	↔
Energy/GHG Emissions		↔	☐☐↔	☐☐↔	☐☐↔	☐☐↔	☐☐↔
Consumer Engagement						☐☐↔	☐☐↔
Consumer Health and Wellness						☐☐↔	
Water Quality	☐☐	☐☐	☐☐↔				
Waste	☐☐	☐☐	☐☐↔	☐☐↔		☐☐↔	☐☐↔
THRIVING PEOPLE & COMMUNITIES							
Employee Engagement			☐☐	☐☐	☐☐		
Employee Health & Safety			☐☐	☐☐	☐☐		
Employee Diversity			☐☐	☐☐	☐☐		
Employee Development			☐☐	☐☐	☐☐		
Community Development	☐☐	☐☐	☐☐↔	☐☐↔			
TRANSPARENCY is associated with all categories across the value chain.							

Learn how we define the value chain stages and create synergy throughout the value chain.



Sustainability Report FISCAL 2012

Our Strategy

In the 32 years since our founding, our Company has grown from a single coffee shop in Vermont to a leader in single serve beverages in North America. Since fiscal 2006, our sales have grown 16-fold, while our number of employees has increased from 782 to 5,800.

We intend to continue to grow and evolve our products to fulfill our business mission of a “Brewer on Every Counter and a Beverage for Every Occasion.” In recent years, our growth has been driven predominantly by the growth and adoption of Keurig® Single Cup Brewing systems, which include both the K-Cup® pack and, since fiscal 2012, the Vue® brewers and related single serve Vue® packs. In fiscal 2012, approximately 90% of our consolidated net sales were attributed to the combination of single serve packs and Keurig® Single Cup Brewers and related accessories. We believe we can continue to grow sales by increasing consumer awareness in existing regions, expanding into new geographic regions, expanding consumer choice of coffee, tea, and other beverages in our existing brewing systems or through the introduction of new brewing technologies, expanding sales in adjacent beverage industry segments and/or selectively pursuing other synergistic opportunities. For more information on our business and our business strategy, please see our [fiscal 2012 annual report](#).

Throughout this growth and evolution, our corporate culture has remained consistent. We are passionate about innovation and have a strong sense of responsibility to give back to the communities we’re connected to, both in North America and in the communities around the world from which we source our coffee and other products. In short, we intend to improve the world through our business — *Brewing a Better World TogetherSM*. While our commitment has remained strong, we saw a need to better articulate our strategy for responsibility and align it with the growth, innovation, and product diversity that characterize our business today.

During fiscal 2012, we began the process of updating our corporate social responsibility (CSR) strategy to reflect the changes in our Company and the global environment in which we operate. While our previous strategy was organized by and reflected our CSR activities, our new strategy is based on the most important sustainability issues for our Company and our stakeholders, and it is intended to guide and drive progress.

Our new approach is reflected in the shift of our terminology from “CSR” to “sustainability.” While we’re as committed as ever to taking responsible actions across our value chain, the sustainability lens focuses us more clearly on the future success of our business, all the people in our value chain, and the global and local environment. Our core decision-making principles also remain relevant. They are as follows:

- We believe in synergy: We understand that our most successful initiatives deliver on specific social or environmental goals and support our employees and contribute to the financial health of our overall business at the same time.
- We align our actions with facts: We follow a fact-based approach in designing and/or choosing initiatives we want to support.
- We focus on areas of unique contribution: Given our limited reach and resources, we want to conduct our work in areas where we can make a genuine difference.
- We take a whole-systems approach to problem solving: We strive to ensure our efforts to solve social and environmental challenges do not lead to new and more daunting challenges



Sustainability Report FISCAL 2012

Our Sustainability Strategy

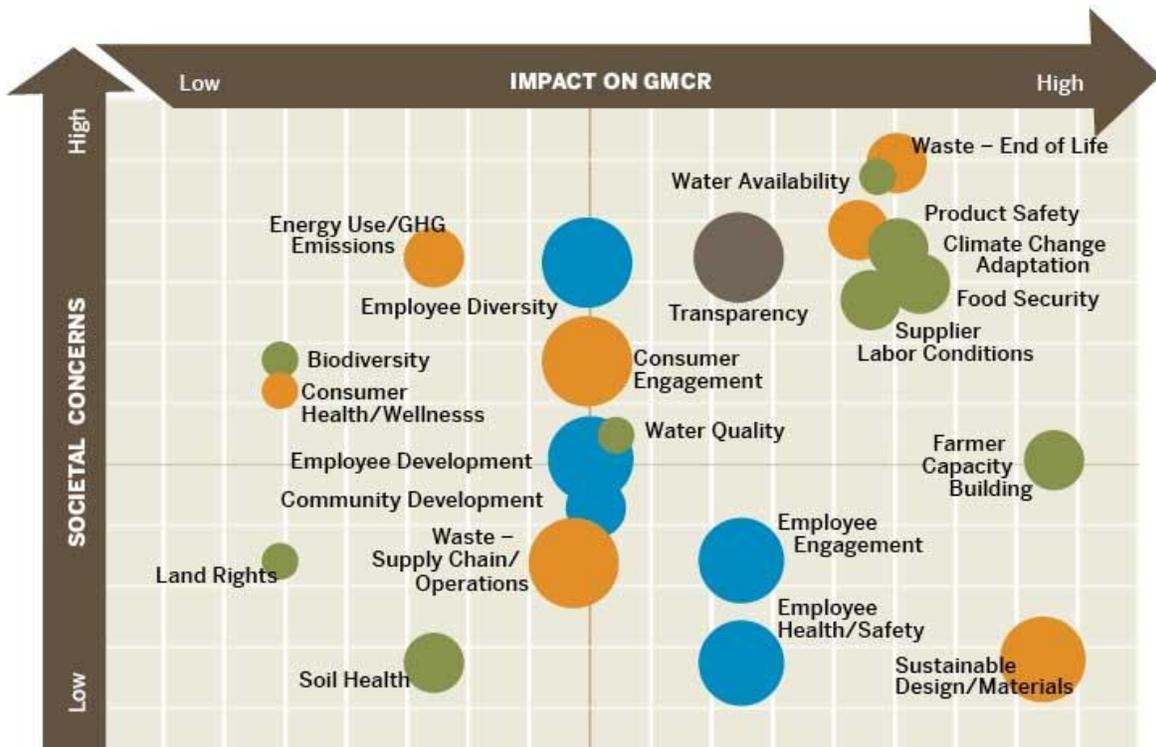
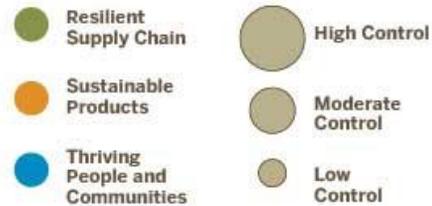
Our sustainability strategy will provide a roadmap from our Company values through to our sustainability goals and indicators.

To develop the new strategy, we worked with a leading sustainability consultancy, which benchmarked competitors and leaders, interviewed internal and external stakeholders, and conducted an intensive review of relevant documents to identify a set of key issues across the entire value chain. The strategy review also identified three pillars under which our strategy and this report are organized. During fiscal 2013, we will build out the strategy by setting new, longer-term goals and ambitions in key sustainability areas and identifying strategic plans in each area. We look forward to reporting on these in the coming years.

The material issues were further assessed for their impact on GMCR and level of concern to society. The resulting map of issues, which was reviewed by top executives of the Company, is shown below. We are already active in addressing many of these areas but the analysis helped elevate some issues in priority and identify areas where we could place less emphasis. The analysis also helped inform the development of the three-pillar 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 GMCR.

GMCR's Materiality Matrix

We used a structured process to identify the sustainability issues of greatest concern to society and highest impact on GMCR. The issues in the upper right of the diagram are considered the most material to address through our sustainability strategy.





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Stakeholder Engagement

As an organization with a collaborative culture and a strong tradition of social and environmental responsibility, we recognize our interdependence with our stakeholders and we value the insights we gain from engaging with them. We routinely interact with our stakeholders in a variety of ways that are summarized in the table below.

In addition, as part of the review and update to our sustainability strategy, our consultants interviewed internal and external stakeholders. The internal stakeholder interviews were supplemented by a survey of GMCR employees. The external stakeholders were drawn from business, NGO, and investor communities and represented a range of perspectives related to the most urgent sustainability challenges in GMCR's industries, current perceptions of GMCR's sustainability performance and ambition, and what the Company would need to address in order to attain sustainability leadership in the next three to five years. The insights provided by the stakeholders informed the materiality analysis, development of the revised strategy framework and approach to this report. Some of the input provided by the external stakeholders is included as quotes in relevant sections of this report.

Stakeholder Engagement

Stakeholder	How We Engage	Sample Initiatives and Outcomes in Fiscal 2012
Employees		
5,800 employees	<ul style="list-style-type: none"> Employee satisfaction survey Quarterly Town Hall meetings "Bright Ideas" program for feedback and suggestions Origin trips CEO location visits Employee volunteerism 	<ul style="list-style-type: none"> 81% of employees participated in survey; developed and implemented action plans in response to survey results 35 employees participated in origin trips in fiscal 2012 65% of employees volunteered through workplace programs <p>More info: Thriving People and Communities</p>
Communities		
<p>We have the following significant facilities in 6 U.S. states and 4 Canadian provinces:</p> <ul style="list-style-type: none"> 9 manufacturing facilities 9 warehouse and distribution locations 2 research and development centers 9 administrative locations <p>We support projects in agricultural communities in 23 countries where we source coffee.</p>	<ul style="list-style-type: none"> "Most Significant Change" surveys of supply chain grant beneficiaries Ongoing dialogue with NGO grant recipients Employee-led Community Grants Program Employee volunteerism 	<ul style="list-style-type: none"> Feedback has led to more targeted grantmaking All fully operational U.S. sites completed implementation of Employee Community Grant program; implementation begun at Canadian sites <p>More info: Resilient Supply Chain, Thriving People and Communities</p>



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Investors

More than 90% of GMCR's shares are held by institutional investors.

- Quarterly earnings announcements and press releases
- Analyst/investor presentations and meetings
- Webcasts and conference calls
- Annual meetings
- Participation in investor conferences; road shows, one-on-one meetings and investor visits to GMCR
- Socially responsible investment surveys

- 131 stockholders attended fiscal 2012 annual meeting
- This report provides GMCR investors with insight into the business value of our sustainability strategy and approach.

More info: GMCR Investor pages

Suppliers

7,000+ suppliers

- Outreach and communication about GMCR Supplier Guidelines
- Supplier assessments and follow-up dialogue

First manufacturing summit held in China with GMCR and brewer manufacturers

More info: Resilient Supply Chain

Customers

- At-home and away-from-home coffee and other beverage consumers
- Retailers, grocers, etc. that sell our products to consumers

Regular customer surveys

- New products (including Keurig® Vue®, Rivo® brewers, and Wellness Collection™ beverages) introduced in response to customer feedback
- Grounds to Grow On K-Cup® pack recycling program expanded due to customer interest.

More info: Sustainable Products

NGOs

We work with a number of NGO partners in our agricultural community development work and domestic operations.

- Regular consultations with NGOs that we partner with to improve conditions in agricultural supply chain communities and communities that host our facilities.
- Gather feedback from NGO partners through our Monitoring and Evaluation (M&E) Guide for Funded Projects

- M&E guide resulted from engagement with NGOs
- GMCR funding for projects carried out by NGO partners
- Participated in the Partnership for Resilience and Environmental Preparedness, coordinated by Oxfam America

More info: Resilient Supply Chain

Government

Our Supply Chain Community Outreach team partners with with U.S. Agency for International Development (USAID) in Latin America around projects of joint interest, e.g. food security.

Alliance with USAID and the Mercy Corps on Inclusive Market Alliance for Rural Entrepreneurs program in Guatemala

More info: Resilient Supply Chain



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Governance and Management

At GMCR, we are committed to operating our business with integrity and high ethical standards¹. 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 10 members, seven of which are independent (as defined by the NASDAQ Listing Rules and current as of March 1, 2013). 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 Corporate Social Responsibility (CSR).

The CSR Committee, which was established in 2008, oversees all of GMCR's social and environmental initiatives. The Committee supports alignment between the Company's activities and its CSR goals and reviews and approves this CSR report, among other responsibilities.

The daily execution of GMCR's social and environmental initiatives is led by Michael Dupee, Vice President for Sustainability, who reports directly to Brian Kelley, our new President and Chief Executive Officer. Mr. Kelley joined GMCR in December 2012 from The Coca-Cola Company. He was appointed to our Board of Directors at the same time. Mr. Kelley succeeds Lawrence Blanford, who served as President and Chief Executive Officer of the Company from May 2007 to December 2012, taking on the position previously held by its founder, Bob Stiller. Mr. Blanford and Mr. Stiller both continue to serve on the Board of Directors.

Our corporate Code of Ethics helps us to create a corporate culture that values ethics and integrity. The Code provides guidance to all of our employees on everything from legal compliance and accurate record-keeping to avoiding anti-competitive behavior and conflicts of interest. Employees are trained on the Code when they join the Company and employees certify annually that they have read and understood the Code.

For more information regarding GMCR's corporate governance, including our Corporate Governance Principles, the CSR Committee's charter and our Code of Ethics, see <http://investor.gmcr.com/governance.cfm>.

¹Information in this governance and management section is current as of publication in March 2013.

Awards and Recognitions

We were pleased to be recognized by a number of organizations during fiscal year 2012. They include the following:

- Fair Trade USA ranks GMCR the largest purchaser of Fair Trade Certified™ Coffee in the world for the second year running
- McDonald's Best of Sustainable Supply Award 2012
- Landor Associates' Breakaway Brands Survey: Keurig® ranked #2 in Brand Strength
- Harris Poll EquiTrend® Coffee Brand of the Year 2012: Green Mountain Coffee®
- Harris Poll EquiTrend® Coffee Maker Brand of the Year 2012: Keurig®
- 2012 National Automatic Merchandising Association (NAMA) Innovation Awards – Gold Winner: OCS & Water Equipment
- Knoxville Chamber of Commerce's 2012 Pinnacle Business Awards: Impact Award
- Vermont Business Magazine's 5x5x5 Award: Ranked #1 on 10 Fastest Growing Companies in 10 Years
- Keurig business unit named one of the Boston Globe's Top Places to Work 2012 in the large company category



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About This Report

This report covers fiscal 2012, from September 24, 2011, to September 29, 2012. We used the G3.1 Sustainability Reporting Guidelines (Food Processing Sector Supplement) of the [Global Reporting Initiative](#) (GRI) at a self-declared B level. Click [here](#) to see the GRI index. Our most recent previous report was published in September 2012, covering our 2011 fiscal year.

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. Click [here](#) to see the UNGC index.

The data cited refers to fiscal 2012 or the last day of fiscal 2012, unless otherwise indicated. Data is 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:

- Independent audits of our philanthropic fund, including all dispositions
- 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 CSR@gmcr.com.



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Resilient Supply Chain

Resilience, at its most basic level, refers to an ability to adapt quickly to, or recover from, changes. To GMCR, building a resilient supply chain means helping the producers and manufacturers in our supply chain, as well as their employees and wider communities, to adapt to the many challenges they face and to prosper over the short term and the long term. At the same time, we strive to address more complex social and environmental challenges. GMCR commits to long-term relationships that sustain healthier communities and create the highest-quality products — whether we are helping our suppliers keep pace with our Company’s continued rapid growth or assisting partner organizations to develop new programs for coffee farmers to better support their families.

Beyond the typical complexities of supply chains, our base of more than 7,000 suppliers has a unique dual nature: We are a beverage company that sources raw ingredients, as well as a maker of small appliances. In Asia, our contracted manufacturers build the brewers that are used in millions of homes, businesses, hotels, and food service locations. The social and environmental considerations for a factory community in a crowded urban region of China, for example, are vastly different from those of a rural Guatemalan coffee grower. We have established an engagement model based on mutual learning and investment from decades of work within coffee-growing communities that we are now adapting, expanding, and applying across a variety of other sourced agricultural products and manufactured goods.



We pride ourselves on being connected to supplier communities around the world. Our people are talking to farmers in their fields, walking the factory floors, and collaborating with in-country development partners who understand local needs. In this way, we engage and build relationships with the individuals who help us grow our business and simultaneously drive responsible practices. However diverse our work must be, our supply chain approach remains consistent to maximize success. We listen to local voices to identify the most pressing needs affecting our supply chain. We collaborate to find the best solutions to those concerns. And, in partnership with suppliers or national and international nonprofit organizations, we fund high-impact project development programs.

Within coffee-farming communities, we award grants to project partners that focus on challenges and appropriate solutions related to food security, access to water, education, and health care. From coffee farmers around the world, to apple growers in Washington state and brewer manufacturers in Asia, our ability to weave together our many grantmaking and relationship development efforts across the diverse locations and workplaces that make up our supply chain allows us to create a uniquely satisfying beverage experience and brew a better world at the same time.



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Resilient Supply Chain Fiscal 2013 Goals

- We will evaluate the impacts of previously funded water resource management projects and establish key performance indicators to incorporate in the Monitoring and Evaluation Guide for Funded Projects.
- We will promote and support industry-wide action through collaboration on a project addressing food security challenges in coffee-farming communities while expanding our funding of projects to support another 10,000 families.
- We will provide grant support to partners for at least three projects with our brewer manufacturers to address worker-identified needs including personal development, educational opportunities, and support for early childhood care and development initiatives within the local community.
- We will execute a revision of the GMCR Supplier Guidelines and accompanying communication tools for suppliers with more definition regarding migrant workers, child labor, business integrity, and indigenous people.
- We will maintain our focus on key suppliers and continually improve alignment across business units and with Procurement and our Supply Chain Community Outreach efforts to ensure lasting benefits for workers, communities, and our business.



Working with Farmers

“As companies aim to increase agricultural production, one of the biggest challenges they face is determining how to make the right investments. These decisions will be even more pressing over the next several decades as we see global population rise alongside food security concerns, dwindling fresh water supplies, and climate change. Prudent investments made now will yield solutions that go well beyond the farmers they seek to serve.”

-JOANNE SONENSHINE, DIRECTOR, SUSTAINABLE FOOD AND AGRICULTURE MARKETS, CONSERVATION INTERNATIONAL

Our beverages are known for their great taste and high quality, and that quality begins at the source. We believe that the best beverages — whether coffee, cocoa, cider, or tea — come from farmers in strong, healthy communities. Long term, our Company’s ability to grow and thrive depends on maintaining reliable supplies of top-quality, sustainably sourced products.

Coffee-farming communities in particular face a complex set of interconnected challenges. Life in these communities can be exceptionally harsh. Many coffee-farming families go hungry for portions of the year — known in Central America as “los meses flacos,” or “the thin months,” between harvests, when money and food are scarce. Living in rural areas often means limited access to education, clean water, health care, and alternative economic opportunities. Climate change is further limiting access to food and water supplies and research indicates continued obstacles in the future. All of these factors are fueling the migration of rural, especially younger, people to urban areas. The average age of coffee farmers is now 50 years old.

Most of our supply chain grantmaking to partner organizations has been directed to the challenges facing coffee-farming families. Supporting and improving their quality of life is vital to creating resilient agricultural communities and a new generation of coffee farmers who are as committed to growing great coffee as the current generation, yet are under increasing pressure to migrate to urban areas where they perceive better opportunities.

That is one of the reasons we support coffees that are certified by Fair Trade organizations and Rainforest Alliance. Producing outstanding coffee requires both socially and environmentally sustainable agricultural practices, and these programs reward coffee producers with access to markets and, in the case of Fair Trade, a price premium for their hard work. In fact, we are the world’s largest purchaser of Fair Trade Certified™ coffee and are proud to have earned that distinction for the past two years.

Our approach strives to address the needs of coffee farmers, workers in the fields, families, and communities in a holistic fashion. We work with nongovernmental organizations (NGOs), academics, agronomists, local farmers, and cooperatives in agricultural communities to identify the most pressing needs there and direct our grant money to projects that will benefit the farmers, their communities, and our business. In fiscal 2012, we provided more than \$10 million in grant funding to 72 projects in 17 countries. We focus our funding on impacts at the household level, working directly with on-the-ground partners to identify the most pressing needs of individuals and families in these communities.

Supply Chain Funded Projects by Location

(Fiscal 2012 - paid only)



*Projects in multiple countries may appear multiple times.
Global projects are not included in these numbers.*

Our grantmaking support of agricultural supply chains focuses on two main areas:

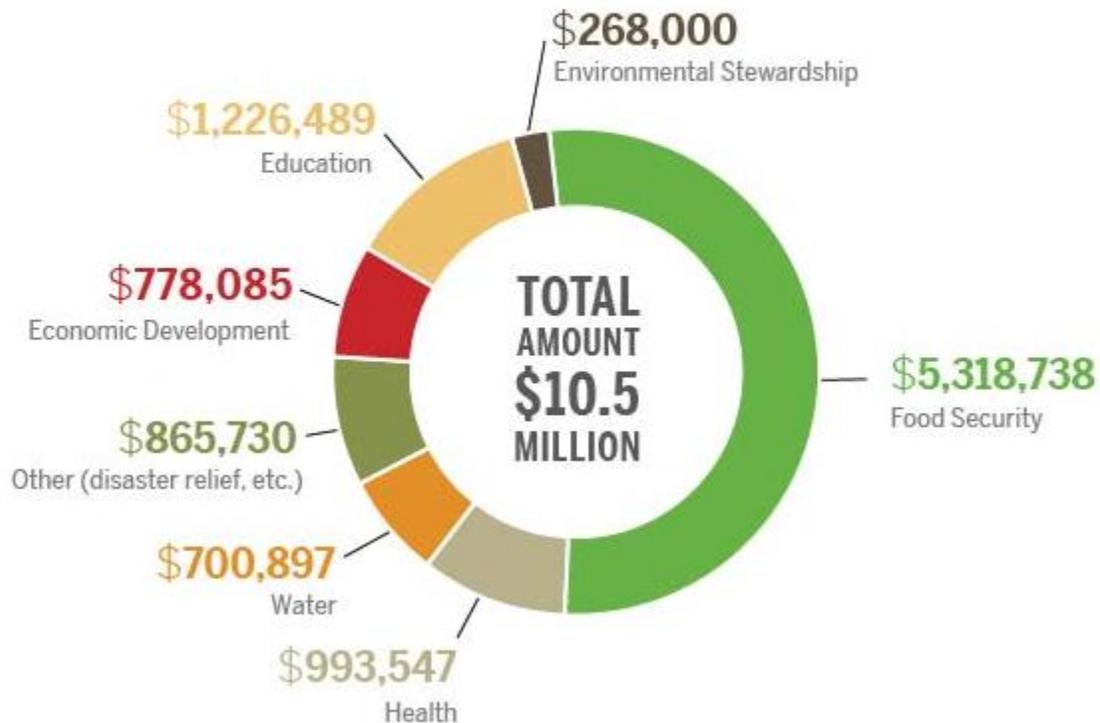
- Strengthening farm communities by financing partners who can assist with persistent challenges including [food insecurity](#) and [water resource management](#).
- Financing partners' community-based efforts to [care for the ecosystems](#) where coffee grows.

By placing strong emphases on the land as well as the people who grow coffee, we aim to enable coffee communities to improve the quality of life and develop each region's ability to continue producing the world's finest coffees.

We know that the ability to measure and [track the impact of our support](#) for agricultural communities and ecosystems is fundamentally important to long-term success. In fiscal 2012, with the assistance of some of our non-profit organization partners, we implemented a monitoring and impact evaluation guide that we hope will provide a rich picture of the depth of our impact over time.

Focus Areas for Supply Chain Projects

(Fiscal 2012 - paid only)



Food Security

Our agricultural supply chain work benefits our own business while simultaneously improving quality of life on the farm including regular access to quality food and water, education, and health care. Our efforts aim to help these communities grow high-quality coffee crops for generations to come, providing GMCR with a reliable source of coffee for the future.

Much of our farm community work has been around food security — a complex, global problem that requires the concerted, coordinated efforts of many organizations and resources. The priority we place on food security at the household level stems from research we conducted in partnership with the International Center for Tropical Agriculture (CIAT), a multi-stakeholder collaboration that identified widespread seasonal hunger as a major threat to the agricultural supply chain. In fiscal 2007, we found through a series of interviews with farming families that 67% of coffee growers interviewed in Nicaragua, Mexico, and Guatemala faced extreme scarcity of food for three to eight months of the year. When coffee is out of season, many farm families do not have other sources of income, nor do they have other ways to keep food on the table. To address this ongoing crisis, in fiscal 2012 we pledged more than \$5.3 million in grants to support food security efforts by NGO partners throughout our supply chain.



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One of our most recent food security efforts focuses on Guatemala, a prime coffee-growing country that has the fourth-highest malnutrition rate in the world. Through a new partnership with the U.S. Agency for International Development and the global humanitarian organization Mercy Corps, we are helping fund a three-year grant that works with 500 coffee-farming families to improve nutrition, agricultural production, and business management techniques.

In fiscal 2012, interest continued to grow for [After the Harvest](#), the 21-minute film on “the thin months” that GMCR funded in 2011 (watch the 3-minute version below). The film has been screened around the world, and we continued to raise awareness through targeted emails and blog posts. Audiences in El Salvador and the United Arab Emirates saw the film at conferences, and *After the Harvest* was selected for inclusion in four film festivals, winning the Biodiversity Award at the Festival delle Terre in Rome, Italy.

“I consider [GMCR] a leader in terms of the work that they’ve done on hunger. They’ve helped the industry in bringing this issue to the forefront.”

- JESSICA DROSTE YAGAN, DIRECTOR, SUSTAINABLE SUPPLY CHAIN, MCDONALD'S USA, LLC

Food Security Projects

Our funding of food security projects addresses nutrition needs at all levels and includes the following strategies:

- Increasing food home production and improving storage: Support coffee farmers to grow food for home consumption, including staple crops and nutritious fruits and vegetables. These projects take the form of building home and school gardens as well as providing chickens, pigs, and other animals that supply protein to diversify family diets. Provide metal silos for farmers to store grains year-round. Without these silos, families often store corn and beans in the open air, where they are vulnerable to humidity and pests. Lack of adequate storage forces them to buy food year-round at market prices, rather than purchasing grain when costs are lowest.
- Diversifying income: Give coffee growers the tools to engage in other income-generating activities, such as selling surplus food crops or eggs, beekeeping, or running small businesses. Many coffee farmers are overly reliant on coffee as a single source of income. These activities provide alternatives that can help bring in much-needed income during “the thin months.”
- Improving access to markets: Help farmers to understand and access new markets for their diversified production, such as surplus fruit and vegetable crops. This includes identifying better markets for their products, helping them meet market standards, and pooling their produce to access better prices.

We fund a number of international and domestic nongovernmental organizations to implement these approaches



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Water Resource Management

As with food security, threats to water quality and availability present fundamental risks to our agricultural suppliers' livelihoods more than they do to our own operations. We believe a sustainable coffee supply chain means that there is sufficient water not just for coffee to grow, but also for coffee growers to thrive.

In recognition of water as a critical natural resource of strategic importance to our business, our stakeholders, and the communities in which we operate, GMCR acknowledged the importance of having guiding principles on our responsible use and preservation of water in 2011. At that time, we released a policy in support of the [Human Right to Water](#). This policy commitment is reflected in our efforts to ensure the safety, sufficiency, and accessibility of precious water resources wherever we work. While actively supporting partner projects that support this policy commitment, we are working to identify partners and methods to establish an integrated program.

The water and food security projects we financially support share the end goal of improving quality of life for coffee farmers and their families. In fiscal 2012, our water resource management efforts focused on two primary areas: potable water and drip irrigation.

For potable water, we focus on projects that bring clean water to communities that have never previously had it or that have faced significant water quality and quantity issues. In Nicaragua, for example, we are supporting a program that will bring aqueducts to communities that have never before had household access to drinkable water. Our work on drip irrigation supports family, community, and school gardens. Drip irrigation can improve food security by improving production of crops for family consumption, primarily by extending the growing season. Parasite-free potable water enables families to receive the nutritional benefits provided by produce from the gardens without illness. Arabica coffee cultivation typically does not require irrigation of any kind.

GMCR funded water-focused projects are coupled with sanitation and education programs that teach people about water and natural resource conservation, and that educate children about hand washing, waste management, and recycling. Such education projects strengthen our impact, bringing water to communities while showing them how to protect this vital resource.

Looking ahead, we will continue to work with partners on larger-scale, municipal-level water projects that will impact broader populations; we also increasingly look at ways to minimize the water impacts of coffee production. We are currently studying how to integrate water management key performance indicators into our Monitoring and Evaluation Guide for Funded Projects.

Measuring Our Impacts

We take great pride in the long-term relationships we have developed with our agricultural suppliers, and we can see positive changes taking place every time we visit these communities. We know, however, that it's important to accurately measure progress so we can refine and improve the programs we already support. Our recently launched [Monitoring and Evaluation \(M&E\) Guide for Funded Projects](#) aims to do just that.

We worked with the University of Vermont and several non-profit partners to identify the most meaningful metrics to measure and report. Released in October 2011, after nearly a year of field-testing and revisions, the new guide is helping us formalize the feedback we get from our grantees and quantitatively identify the impacts of our grants. For example, in addition to the number of household gardens planted in a food security and income diversification project, we now also receive impact indicators on household dietary diversity and months of adequate household food



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provisioning. As a result, the quality of reports we receive from grantees is improving, and several organizations have reported that our focus on impact has been helpful in revitalizing their own measurement and evaluation procedures.

The new M&E Guide also features a strong, new qualitative feature, known in stakeholder engagement as the “Most Significant Change” technique. Award grantees are asked to supply first-person accounts of “the most significant change in the quality of people’s lives in this community.” Responses from project participants to this question are already underlining the positive consequences of our work — results that sometimes extend beyond the original goals of the project.

Looking forward, we expect the quantitative and qualitative aspects of our new M&E Guide will help shape our grant-making efforts, providing constructive feedback to improve the projects we support.

Highlights from the “Most Significant Change” Stories

We have been extremely pleased with some of the early feedback received from our new M&E guide, in particular the “Most Significant Change” examples. Below are two stories from fiscal 2012:

Indonesia: Through training provided by our partner Save the Children, we helped 2,500 families grow food more effectively. Asnaini, the wife of one coffee worker, explained how she and her husband have been able to turn their 20-square-meter (215-square-foot) garden into a source not just of nutritious food for the family, but also a source of additional year-round income.

“My husband and I never thought that the small piece of land could be profitable to us. We never made real use of it. We planted celery, but because there was no fence, chickens would come in and pick and destroy the plants.

“Now we plant spinach which only takes a month to harvest, and we can earn around 300,000 to 450,000 rupiah (US\$33 to US\$50) per month. Through the home gardening program, I can provide my children more easily with healthy, nutritious food and also have a more consistent additional income that I can use to buy my children’s school uniforms and supplies.”

Honduras: Working with our partner Heifer International, we provided livestock and animal-care training to 327 families in fiscal 2012, with a goal of increasing food security in three regions of Honduras. In her telling of the Most Significant Change from this project, Irene Hernández Flores says: “There are 12 of us in our family.... So here we all work, we divide up the tasks. If one milks the cow, the other feeds the cow, another cleans the stable; at the end of the day, we are working for ourselves, and if we don’t work, we don’t eat.... We have seen the change. Now we, as a family, depend more on our own activities. Here, we depend on what we have. No one says: ‘I’m going to ask the boss for work,’ but rather we give ourselves work. A simple example is that, if we wanted a bottle of milk, we used to purchase it, but now we no longer have to buy it. I also had to purchase materials to make organic fertilizer, but now I don’t have to buy them because I have them.

“I appreciate the importance of this change because it incorporates the family. These projects have brought us much closer together. I don’t see it so much as economic, because the economic benefit might help me a bit as an individual, but my family is the most important part.”



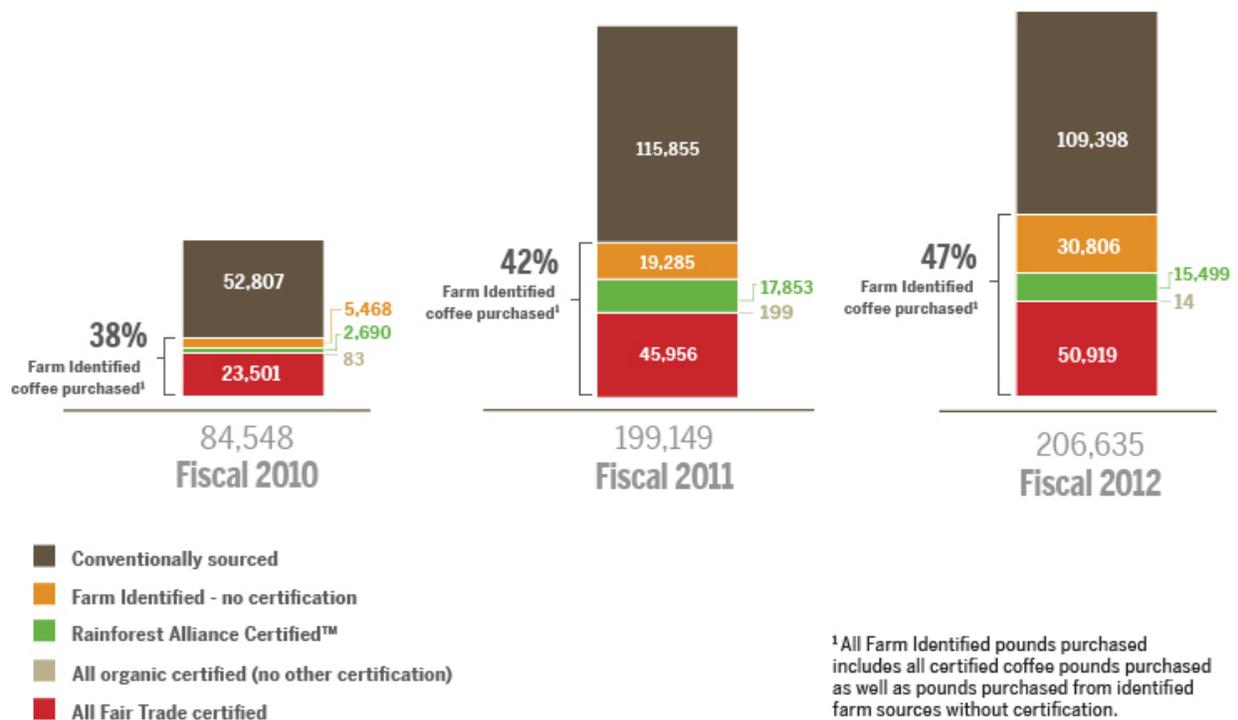
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Building Stronger Communities Through Agricultural Standards

Fair Trade Certified™ coffees continue to grow in prominence in the marketplace. Green Mountain Coffee® is proud to embrace Fair Trade as an integral part of the brand and continues to drive awareness and sales of Fair Trade Certified™ coffee throughout the U.S. Thanks to the growth of our Green Mountain Coffee® and Newman's Own® Organics brands, GMCR was recognized by Fair Trade USA as the largest purchaser of Fair Trade Certified™ coffee in the world in both 2010 and 2011. Since we began our involvement with Fair Trade organizations in 2000, we have delivered more than \$13 million in community development premium funds to coffee farmers through our Fair Trade Certified™ coffee purchases. We also embrace other coffee certifications, including Rainforest Alliance and organic (for more, see "[Certifications Guide](#)").

The underlying requirements for the certifications we use offer an array of benefits to people and the planet, and strengthen our business at the same time. Fair Trade Certified™ coffees include in their price a premium paid to coffee cooperatives and smallholder farmers aimed at improving social and environmental conditions in coffee-growing communities. Organic coffees are grown using no synthetic fertilizers or pesticides, reducing negative impacts on agricultural ecosystems and workers' health. Coffees from farms earning Rainforest Alliance certification are grown linking the protection of forests and biodiversity to the economic prosperity of local farmers, communities, and businesses. As consumers learn more about the positive impacts these certified coffees offer to people and the planet, they are more likely to seek them out. Fair Trade Certified™ coffees are the fastest-growing segment of the U.S. specialty coffee market — and GMCR is the world's largest purchaser of Fair Trade Certified™ coffees.

Coffee Purchased (In thousands of pounds)



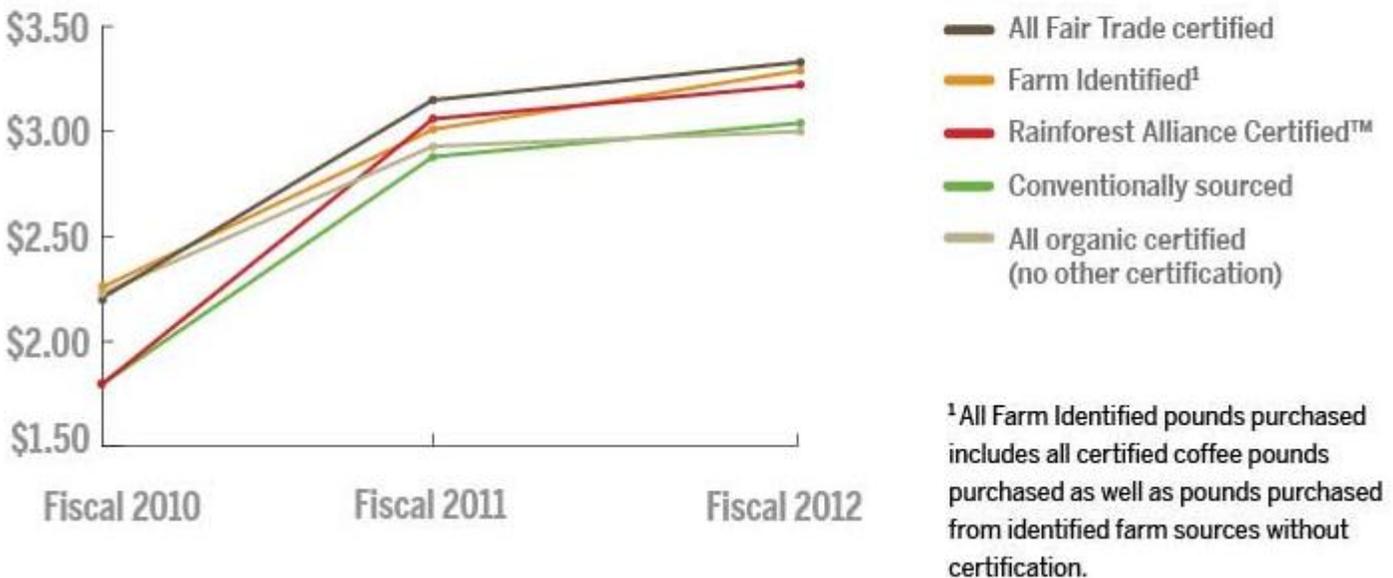


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We are steadily increasing the amount of certified coffees we purchase. In fiscal 2012, we saw a number of coffee-buying trends continue. We purchased an ever-greater amount of coffee — more than 206 million pounds in fiscal 2012, up from about 199 million pounds in fiscal 2011. As we grew our purchases, we also increased the amount of Fair Trade Certified™ and Fair Trade Organic Certified™ coffees we purchased.

We also saw an increase in the amount of coffee in our Farm Identified program. The Farm Identified program is based on the simple principle that when we know who grows our coffee, we have the potential for a long-term relationship where we can work with the grower to achieve our sustainability goals. In fiscal 2011, 41.8 percent of our coffee pounds were Farm Identified; in fiscal 2012, that number grew to 47 percent, which includes the 32 percent of total pounds purchased that are externally certified.

Average Price Paid per Pound of Coffee





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Expanding Our Work Beyond Coffee Communities

As we continue to expand our product mix beyond coffee, we have begun to think about additional engagement in other supply chain communities. Our first U.S.-based non-coffee supply chain project, in Yakima, Wash., is underway with apple-growing communities. After talking to workers, employers, and nongovernmental organizations in the region to identify the most pressing issues, we are partnering with Madison House Youth Center to expand its tutoring and adult-education programs, and thereby help agricultural workers and their families develop the skills they need to succeed. In addition to our support in Yakima, we are working to identify ways to engage with our other agricultural supply chains. Cocoa poses unique supply chain challenges that require a distinctive approach. For example, less than 5% of the world's cocoa is certified, and most cocoa is difficult to trace due to the processing infrastructure in cocoa's countries of origin. We are continuing to work to better understand the issues and our best approach to cocoa.

Caring for Agricultural Ecosystems

In addition to our farmer-specific projects, we also are working to preserve and improve agricultural ecosystems in the regions where we source our products. Addressing the risks and impacts of climate change is a cross-cutting theme in many of our projects. Many of our investments are intrinsically linked to ecosystem resilience and a community's ability to adapt to climate change, particularly at the food-energy-water nexus. For example, encouraging farmers to plant fruit trees boosts food security while also creating shade that can lower temperatures on coffee plantations. Supporting the construction of composting facilities may encourage the use of organic fertilizers, help to create jobs and also improve farm outputs. Our grantees and farms working directly with these projects are collecting evidence through practical studies to determine actual impacts of the composting facilities.

Climate

We are funding studies on adaptation to climate change in order to effectively support efforts to reduce the impact of climate change on coffee growers. As the planet warms, the suitable altitudes for growing specialty coffees will climb up the mountainsides where coffee is grown — and many of our long-time suppliers could be left behind unless they adapt. Countless livelihoods around the globe depend on growing coffee now and in the future, so we recognize the necessity of acting today.

This is where our work with the Coffee Under Pressure (CUP) project comes in. We are supporting research by the Consultative Group on International Agricultural Research (CGIAR) and the International Center for Tropical Agriculture (CIAT) to identify threatened coffee ecosystems in Mexico and Central America. The goal of this research is to help smallholder farmers in those regions take action to mitigate climate impacts in the short term and to plan for the longer term by identifying crops that they can grow to supplement coffee as a source of income.

“We are concerned about the nexus of food-energy-water as well as the long-term viability of tropical crops that may be vulnerable to climate change. How are companies addressing the need for adaptation?”

- ELLEN KENNEDY, SENIOR SUSTAINABILITY ANALYST, CALVERT INVESTMENTS



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The Partnership for Resilience and Environmental Preparedness



In July 2012, we were part of the launch of a cross-industry collaboration that detailed the risks and opportunities posed by climate change, and laid out a five-step plan for companies to assess and address their climate vulnerabilities. The Partnership for Resilience and Environmental Preparedness (PREP), coordinated by Oxfam America, is a one-year pilot partnership that includes corporate leaders from diverse industries that face significant risks from climate change: manufacturers, energy and water utilities, and food and beverage companies.

Our research efforts are just one way we are working to protect our business for the long term while also preparing our supply chain communities for climate change.

Water

Most of our water efforts are focused on strengthening farm communities — particularly because bringing water to people who need it and teaching them to care for the water they already have serves to protect the ecosystem even as it improves quality of life.

We intend to increase our attention to water resource management in the coming years, including the funding of related projects; for more details about our ongoing efforts on water, see the Water Resource Management section.

Waste

Increasingly, waste from coffee production is a key area of focus for us. We wove proper disposal of waste into projects we have funded in the past, and we support projects that pilot waste management innovations, such as closed-loop composting, which involves contained, on-site composting units or operations.

There are currently five such projects underway at coffee cooperatives in Peru, Nicaragua, and Mexico. These groups have built composting plants to take post-production waste from coffee plantations, convert it to rich, organic compost that has been specifically shaped to match the nutrient needs of the region's soil, and sell the compost back to co-op members at low cost. Projects like these offer cascading benefits. In addition to reducing farm waste, composting helps farmers achieve or maintain their organic certification, can increase yields on the farm to improve income and food security, and composting facilities create jobs in the community. These projects also help raise the profile of the cooperatives involved and can encourage more members to join.



Working With Manufacturers

The supply chain for our single serve brewing systems is vastly different from the supply chain for the beverage ingredients themselves. Indeed, our Company is as much a producer of small appliances as it is a roaster of fine coffees and an innovator of single serve beverages. We contract with factories across Asia to build our Keurig® brewers. The packaging for K-Cup® packs and Vue® packs come from a more extensive network of suppliers.

Despite the differences in settings, our approach to manufacturing supply chain relationships is informed by the relationship ethic we have fostered in our agricultural sourcing communities. We emphasize direct engagement and long-term commitments. We believe that the most important thing we can do is establish trusting relationships with our key manufacturers.

Our GMCR Supplier Guidelines were developed in 2007 to promote fair and respectful factory working conditions. We are currently working to expand these guidelines to make sure they are fully aligned with international standards and applicable to all aspects of our supply chain. We are also working on developing communications for direct use with suppliers. We want to ensure that suppliers fully understand our guidelines and how to adapt their practices to align with internationally recognized standards and, thus, GMCR expectations. We intend for these communications to be targeted for the right audience, including translation to the local language such as French, Chinese, and Spanish.

We share best practices, promote transparency, and communicate public policy or industry changes to guide our suppliers toward continual improvement and encourage them to enhance the development of their employees and their contribution to their local economies. We learn from our suppliers as well and use the knowledge we gain to further refine our strategy and engagement approach. By assuring factory management of our commitment to them, we can support lasting change and real investment in programs that improve working conditions and reduce environmental impacts.

“We are seeing a huge increase in external interest – from NGOs, governments, and SRIs [socially responsible investors] alike – in supply chain transparency, which is really good. It’s something we can’t fake. We have to do it.”

- STUART KYLE, DIRECTOR WORKPLACE ACCOUNTABILITY, THE COCA-COLA COMPANY AND AIM-PROGRESS



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GMCR Supplier Guidelines

We have established a set of social and environmental guidelines for our suppliers that include the following expectations:

- Businesses should work to understand and follow the laws that govern their operations.
- No person should be forced to perform work against his or her will.
- Children (anyone under the age of 18) should be protected from harmful labor and given the opportunity for healthy development.
- Employees should be paid a fair wage that meets their basic needs.
- Hours of work should be limited to provide workers with an adequate opportunity for rest and leisure.
- Workers and management should work together in open communication and cooperation to improve working conditions.
- All employees should be treated with dignity, equality, and respect.
- Operations should be conducted in a manner that respects the health and safety of employees and communities.

Our Supplier Guidelines meet best practices for internationally recognized 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

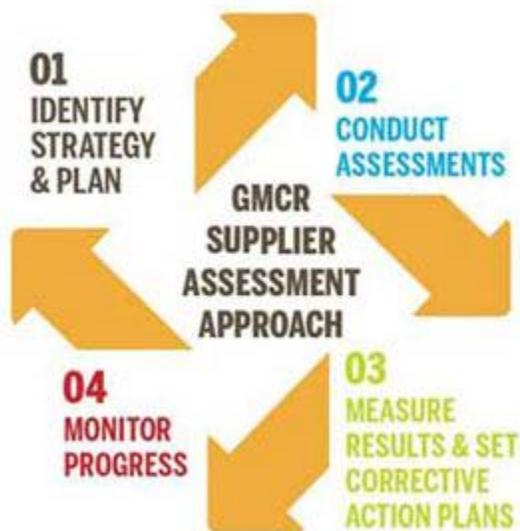


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Factory Assessments

GMCR has established a process for assessing suppliers' alignment with our expectations. When suppliers fall short of our guidelines, we work closely with them to identify the root causes of their shortcomings and identify plans to correct and prevent them in the future. Our staff spends time on the ground with factory 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 factory's management; on-site assessments performed by GMCR supply chain staff; and assessments performed by third-party auditors. We consider all of our assessments as tools that provide the foundation for a dialogue around the GMCR Supplier Guidelines. Key areas of focus for the assessments are labor — including the respect of human rights — and environmental practices.



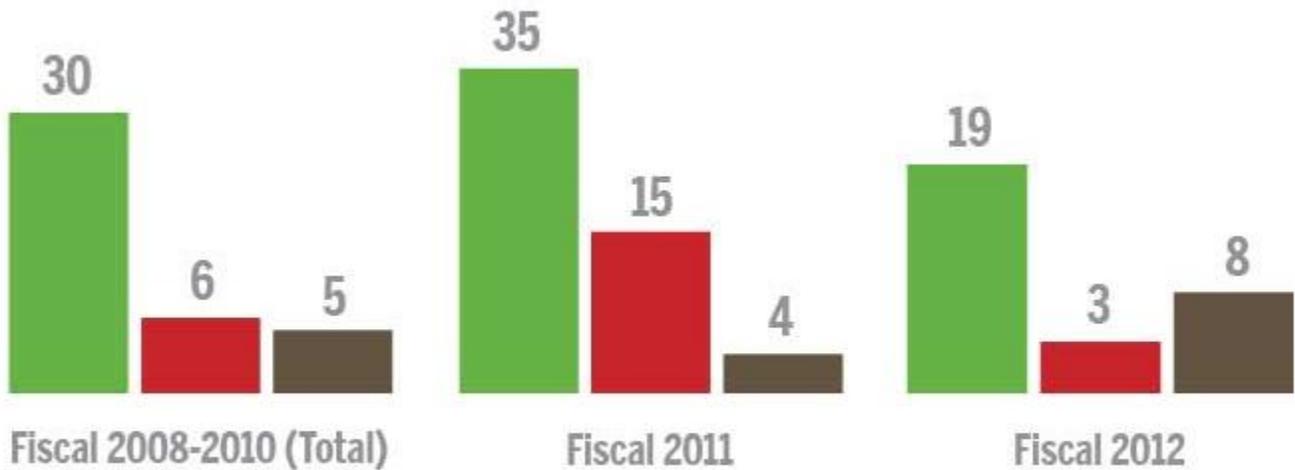
Our assessment procedures range from reviewing supplier documents relevant to evaluate performance against our expectations, to touring factories and housing facilities, if present, to physically observing the execution of the supplier's policies and procedures.

In combination, these assessments provide us with an opportunity for in-depth understanding of our suppliers, their industries, business operations, the local laws and culture. Armed with first-hand 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 issues within our supply chains, we prioritize suppliers and identify which assessment, or combination of assessments, would be most useful in understanding and addressing any issues. To set priorities, we sort our key suppliers by spend and categorize them by the service or product they provide to GMCR. In fiscal 2012, 46% of our suppliers were included in the assessment program. These suppliers are evaluated against a range of risks and opportunities to determine the likelihood they could present sustainability or human rights impacts. We currently assess 100% of our highest-priority suppliers.

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

Supplier Assessment Program



We believe our assessment approach has resulted in a range of improvements in our manufacturing supply chain, which include the following:

- Improved workers' awareness of their rights
- Heightened protection for migrant workers
- Reimbursed money owed to workers
- Eliminated discriminatory employment practices
- Provided workers with benefits entitled to them by law

At the same time, we recognize that assessing suppliers is not an end in itself, and we are learning how to effectively use capability building as a step on the path towards further engagement, development, and, ultimately, to support suppliers in continuous improvement of their practices as well as the practices of their own suppliers.



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Internally, we want our employees who work with suppliers to have the opportunity to learn about social and environmental issues, particularly those that could occur within our supply chains, for effective decision making and supplier engagement. We recently launched a director-level council to align processes around purchasing decisions, and we work to ensure that our procurement function is informed about what we have learned through our assessment process, changes to policies such as the GMCR Supplier Guidelines, and other emerging issues relevant to our supply chains and to business decisions.

	7,000+	GMCR suppliers
	46%	Suppliers included in GMCR's risk assessment process (by percent of total spend)
	30,000+	Workers employed at assessed supplier factories

We also intend to initiate training for employees who manage supply chains within our organization, focusing in depth and breadth on human rights and environmental impacts that could affect those in our supply chains at all levels.

Creating “Coopetition” Among Our Contract Manufacturers

At GMCR, we believe that it is not enough to just implement guidelines. We are always looking for opportunities to evolve and innovate in the way we connect with our suppliers and the wider industry. To help improve conditions across our industry, we continue to take on a number of initiatives that cut across competitive lines within our supply chain, engaging stakeholders externally and internally on manufacturing best practices.

One of the ways we have demonstrated this is through the first International Manufacturing Summit for companies in our manufacturing supply chain, which took place early in fiscal 2013. The goal was to convene key contract manufacturing suppliers — some of which compete against each other for the same business — to discuss pressing issues. We discussed our sustainability approach within our manufacturing supply chain, contributed to our suppliers' understanding of our expectations, and provided sessions on special social and environmental topics and other emerging issues. By bringing competing manufacturers together, we believe we can help to collectively advance in the realms of labor practices and manufacturing innovations while respecting confidentiality and fair competition.

Case Study - A More Sustainable Coffee Farm

What a difference five years can make! Back in 2008, César and Juana Valle Lao's plot of land in the El Coyolar region of Nicaragua consisted of a scant couple of acres of coffee plants. And the coffee was not in the best shape, clearly in need of pruning and fertilizer applications. A handful of banana trees and a few chickens rounded out their property, but it wasn't much for them to eke out a living. Like other farmers in the area, they suffered through three to four months of extreme food scarcity every year.

In our work in Nicaragua, we have seen that coffee in that region generally needs significant attention and care. One way we support these communities is by helping them improve their coffee-growing techniques. César faced an additional challenge to give his plants what they needed: He had lost an arm in the civil war that rocked Nicaragua for almost two decades.

We met César and Juana as part of our first food security project, which we launched in 2008 in partnership with the CECOCAFEN coffee cooperative to help struggling families in coffee-growing communities. Food insecurity plagues rural agricultural areas anywhere from one to six months out of the year, as incomes drop between coffee harvests. Our projects focus on education and crop diversification, which can make a genuine difference in quality of life for farmers, their families, and their communities.

Encouraged by the program, César and Juana began diversifying their farmstead. After one year, fruit trees and vegetable crops, including a root vegetable called malanga that is prepared similar to taro or potatoes, now grew alongside the coffee and bananas. Juana, who had also taken a skill-building class, had begun harvesting some of her family's fruit to make marmalades for sale at the local market.

Plants grow much more quickly in tropical climates than in most areas of North America; after just a year and a half, the fruit trees towered over the coffee plants, an even greater variety of vegetables grew on the farm, the coffee looked healthier and better-pruned and fertilized because César and Juana had begun composting some of their farm waste.

Fast-forward to 2012, when we once again visited César and Juana's farm for an on-the-ground look at the impact of the projects we support.

While touring the farm, we asked Juana to describe the most significant change she and her husband had seen as a result of our partnership. She led us through her family's plot of land, beyond the coffee, vegetables, and fruit, to a field that had previously lain fallow. There, they had constructed an elaborate network of posts and wires to support the growth of a large new crop of passion fruit, which was expected to bring in as much as \$800 a month, year-round. That's more than double their income from coffee. They also planned to hire workers from the nearby hamlet to help





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them harvest the fruits, which were poised to overtake coffee to become their primary crop, providing a desperately needed source of local employment.

“César and Juana had closed the window of food insecurity entirely,” says Rick Peyser, GMCR’s director of social advocacy and supply chain outreach. “They no longer face a lack of food between coffee harvests — and that’s one of the best outcomes we can hope for.”

Their story is indeed inspiring, but we recognize that for every story of success, there are families who still struggle. We are working to assess even more deeply how much of an impact we have not just on individuals, but also on coffee-growing communities. At the same time, we want to make sure we’re pledging our money where it can do the most good.

“We are moving from the more anecdotal to the more rigorous in terms of measuring results,” Peyser says, “and there’s always more work to be done, of course. But seeing and hearing first-hand how César and Juana have turned things around over a relatively short period of time gives us a great sense of the successes we and our partners can have.”



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Sustainable Products

We believe that our products can be sourced, designed, and manufactured in ways that are good for people and good for the environment. We strive for balance in the way we engineer [our operations](#), and [our finished products](#). We engage with players throughout [our value chain](#) to understand the social and environmental impacts of our business and our industry. In addition, as a leader in beverages with a positive social impact — [particularly Fair Trade coffee](#) — we can encourage [consumers](#) to use their purchasing power to support more sustainable products across the entire beverage industry.

In fiscal 2012, we worked to reduce waste and help customers and consumers dispose of product-related packaging. We continued to make progress toward our reduction targets for energy use and waste to landfill, even as our rapid business growth challenged those efforts. A comprehensive [life cycle assessment](#) of our K-Cup® packs has helped identify and focus our efforts on the areas that pose the greatest environmental challenges. And, we have coupled our support of coffee from Rainforest Alliance Certified™ farms with consumer education campaigns that demonstrate the benefits for farmers and for the environment using a model that generates consumer demand for certified coffees.

As our business grows, we hold fast to our belief that our responsibility is to create sustainable products that help us to brew a better world.

Sustainable Products Fiscal 2013 Goals

- We have set specific targets to improve our energy efficiency while accommodating increased energy use for production needs. Target improvements for energy efficiency are 6% for our Montreal operations and stabilization in Toronto operations, compared to fiscal 2012.
- Over the next two years, we will install sub-meters and an associated monitoring system on our packaging and roasting processes in our Specialty Coffee business unit to obtain more granular data on energy use at our plants; we anticipate the development of a new metric to measure progress as a result of our learning.
- We will increase the amount of waste that we can avoid sending to landfill (waste diversion rate) for our Specialty Coffee business unit by 5%.
- We will continue our commitment to Fair Trade:
The Green Mountain Coffee® brand intends to have 35% of coffee sold (by volume) be Fair Trade Certified™ and plans to convert its top-selling Nantucket Blend® variety to Fair Trade Certified™ in fiscal 2013; this will represent about 5 million pounds of new Fair Trade volume.
- We will continue our commitment to the Rainforest Alliance:
The Timothy's World Coffee® brand intends to sell 70% of coffee by volume that is coming from Rainforest Alliance Certified™ farms.

Our Products

GMCR makes specialty coffees and other beverages including tea, hot chocolate, and hot apple cider, along with the innovative Keurig® single cup brewers to serve them.

We believe that innovation has a close relationship with sustainability. Innovation has allowed us to improve [energy efficiency](#) across our operations and increase the amount of [waste we recycle and compost](#) while maintaining the safety and quality of our products. Innovation, in combination with [comprehensive life cycle assessments](#), helps us to evolve our operations and products.

Over the past several years, we have implemented a variety of changes in our product design and operations in our quest to reduce overall environmental impacts and enhance business value, including the following:

- By introducing “nested” packaging for 12, 16, 18 count K-Cup packs as well as 12 and 16 count Vue packs we reduced packaging size by 30% and decreased shipping-related greenhouse gas emissions by 20% as compared to loose fill.
- We use 19% polylactic acid (PLA), which is a renewable polymer from natural cornstarches, in the packaging film for 10- and 12-ounce bagged coffees for the Green Mountain Coffee®, Newman’s Own® Organics, and Tully’s Coffee® brands.
- We launched the Vue® packs to our U.S. market. After use and once the Vue® pack cools and the lid and contents can be separated, the Vue® pack cup can be recycled anywhere that polypropylene/#5 plastic is accepted. Because #5 plastics cannot be recycled in every community, we recommend that consumers check with their local community or waste hauler for recycling options.
- The [My K-Cup®](#) product is a reusable filter assembly that we designed to be easily cleaned, refilled, and placed into home K-Cup® brewing systems.



Assessing Product Impact

One of our top priorities is to reduce the environmental impacts of our products. We analyze impacts at all levels of the product life, from our supply chain through end of life. We understand that our total product impact includes the resources used and emissions produced to bring those products to the marketplace.

To ensure scientific rigor in the way we approach product impact, we conducted a [Life Cycle Assessment](#) (LCA) for our coffee K-Cup® pack to understand the environmental impacts along its life cycle. What we learned is the disposal of a product's packaging represents a portion of the total environmental impact. Significant impacts occur in the cultivation of coffee beans, use of brewing systems, and material used in the products' packaging. We take all impacts seriously. LCA is an important tool; it allows us to target our efforts to the product design and manufacturing issues with the greatest potential for improvement.

Learn more about the Life Cycle Assessment of our coffee K-Cup® [here](#).

Reducing Product Waste

After use, coffee packaging and grounds are disposed. We recognize that, for our customers and our consumers, the “end-of-life” is the most visible stage of the [products' value chain](#). With that in mind, we have developed a number of programs that help process brewed K-Cup® packs utilizing energy-from-waste technology, compost used coffee grounds, and reuse damaged brewers or recycle their components. We are actively listening to consumers, customers, and other stakeholders to help guide us toward a better solution and goals for reducing product waste, with the recognition that our current programs are not yet complete.



Our [Grounds to Grow On™](#) program allows our workplace customers in the U.S. (e.g., those using our commercial Keurig® machines 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, all while reducing waste. The program, which began in fiscal 2010 as a small-scale pilot, will become available in 2013 in all of the U.S., except Alaska and Hawaii. Our hope is that the Grounds to Grow On program will take off among our workplace customers as we expand the program geographically. The Canadian business unit (CBU) is evaluating the options to test Grounds to Grow On™ in Canada.

Through this program, customers fill recovery bins with brewed K-Cup® packs. When the bins are full, customers ship the pre-labeled bins via UPS to our disposal partner. Once received at our disposal partner's facility, the recovered K-Cup® pack is converted into useful alternatives, such as compost and energy. Specifically, the K-Cup® pack is processed through a proprietary method, including various grinding and separation operations that ultimately separate the coffee and tea grounds from the other K-Cup® pack components. The grounds are sent out for



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composting to be used in a variety of agricultural applications, while the remaining K-Cup® pack plastic grinds are provided to Covanta Energy and are used in an energy-from-waste process.

We continue to think about how we can reduce the energy demands for transportation of used K-Cup® packs, and in the process of K-Cup® pack deconstruction (removing the grounds, filter, and foil from the cup), to make this a more powerful program.

Our Vue® pack features a peel-away lid, filter paper, and base cup made from polypropylene #5 plastic. This type of plastic is accepted for recycling in over half of all communities in the U.S. Customers can identify communities that recycle #5 plastic using the Earth911.com search engine through VueRecycling.com. For those areas without appropriate recycling infrastructure, we have partnered with the [“Gimme 5” Preserve program](#), which allows consumers to mail their brewed Vue® packs to Preserve to be recycled.

Through our Brewer Returns program, our Keurig business unit (KBU) works 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 recycled. Our recycling partners have a zero landfill policy and break down all components of the brewer and its packaging for reuse. In fiscal 2012, KBU reused approximately 17,000 brewers for internal marketing purposes and recycled another 345,000 brewers for a total of 2,600 tons of material that avoided being sent to landfill.

Brewer Returns Program (tons)	Fiscal 2010	Fiscal 2011	Fiscal 2012
Material processed and recycled from returned brewers	350	947	2,491
Material processed and reused	N/A	159	139
Total diverted from landfills	N/A	1,106	2,629

Product Safety and Quality

One of our most important commitments is to product safety and quality. We voluntarily follow the Restriction of Hazardous Substances (RoHS) directive, European regulations that reduce harmful or toxic effects of electronic equipment in waste streams. Water path components in the brewer are completely BPA-free. In addition, Keurig received its National Sanitation Federation certification in fiscal 2012, allowing us to sell our brewers to restaurants.

Quality is an aspect of sustainability, and vice versa. This concept applies equally to our beverages and brewers. Our Keurig business unit continually innovates to make great brewers that deliver top-quality cups of coffee. High-quality machines can withstand rough handling during shipping or stocking, which also means fewer returned brewers, less waste, and a stronger bottom line. Each returned brewer contains a chip that records any failures that may have occurred, allowing us to improve brewer design and construction. By making our brewers better, we increase their total lifespan, decreasing the number of brewers that might end up in landfill earlier than the anticipated life of the



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brewer. The materials we use to make and package our brewers are designed to sustain being dropped from a greater height than the industry standard, which also helps us to minimize return rates for damaged products.

In addition, we regularly sample our coffee beans (see “A Matter of Taste” below) and test K-Cup® packs in a variety of brewers, to make sure that each batch matches standards. As it does for our brewers, quality-testing reduces the amount of damaged or returned product, which decreases our risk for wasted resources.

A Matter of Taste

At GMCR, we drink a lot of coffee. But some of us drink more — lots more — than others. In our Coffee Department in Waterbury, Vt., a team of professional coffee tasters, known in the industry as “cuppers,” slurp 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. Too dry and the beans might be old. Too wet and they may not have been properly dried at their source. We also do a visual inspection checking for uniformity of color and size and keeping an eye out for any damage. Some coffees look beautiful but don’t taste that great; others aren’t so pretty but taste amazing.

Testers slurp coffee samples from a spoon, rather than sip from cups. This helps to oxygenate the particles in the coffee and release them to the tester’s taste receptors. Slurping also helps the tester avoid saturation, which is what happens when one taster tests up to 30 samples in a day.

We use the Specialty Coffee Association of America’s “cupping 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 4,000 samples of coffee a year. Every sample that we cup was also tested by the importer, the exporter, and the co-op or farm of origin.

For more on the “slurping” process, [watch a video](#) by Winston Rost, the Farmer Relations Manager within our coffee department.



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Our Operations

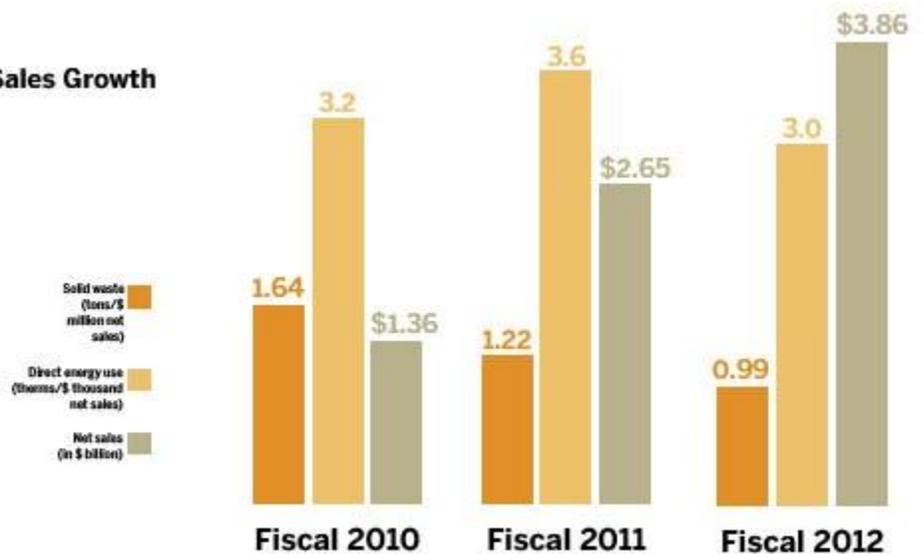
Throughout our operations, we strive to use resources efficiently and reduce impacts on the environment. Much of our work has been focused on energy use, greenhouse gas (GHG) emissions, and waste generation. We use relatively little water in the manufacturing of our coffee products, and, as a result, we do not track our direct water use. However, we recognize that **water availability and quality** is a critical issue in the regions where coffee beans are grown. 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**.

Our approach to environmental management is guided by our **environmental policy**, which was updated in fiscal 2011. During fiscal 2012 we continued to pilot test the International Organization for Standardization (ISO) 14001 environmental management standard, further developing the environmental management systems for our Waterbury, Vt., production and distribution operations. In addition, lessons from this process continue to influence how we are developing our environmental management systems at other sites, setting goals and targets, and prioritizing actions across the organization. Our operations management has engaged production, distribution, and facilities groups to recognize and better manage the activities, products, and services that have significant impact on the environment or that are subject to environmental compliance requirements.

Many of our improvement projects stem from our focus on regulatory compliance for environmental impacts. This means not only meeting regulations, but also doing so with an eye toward efficient technologies that will reduce pollution. As we obtain better, more granular information about our resource use, we will continue to identify and implement improvements.

We strive for balance in the way we engineer our operations, and our finished products. This is challenging when taking into account the Company's growth. We experienced a 46% increase in net sales in fiscal 2012, which means more brewers, accessories, and single serve packs produced and sold. This growth is reflected in an increase in our total energy used and waste generated during production. Over the past several years, we have implemented a variety of changes in our product design and operations in our quest to increase energy efficiency and the proportion of waste that can be diverted from landfill by utilizing composting and recycling options.

Waste and Energy Metrics vs. Sales Growth



Even as our sales have grown rapidly, we have improved our energy efficiency, recycled more waste, and reduced the proportion of waste we send to landfill.

In fiscal 2013, we will continue our installation of sub-meters to track energy use on an individual machine basis. This will help us to understand how small-scale changes can help us improve efficiency. These changes, as well as others we've made, are simply a smarter way of operating.

Only CBU owns and operates its vehicle fleet, which makes reducing transportation-related CO₂ emissions a particular priority for our CBU. We continued innovating in our vehicular fleet to gain efficiencies in fuel use and GHG emissions. More than 300 drivers received “ecodriving” training through Canada’s Ministry of Natural Resources, which teaches how to drive in a smart and more fuel-friendly way. We also piloted a GPS project with 10 vehicles in four cities to monitor idling, speeding, and route efficiency for the fleet. In 2013 we will expand the program to outfit all vehicles with a GPS device.

By the end of fiscal 2012, we converted three vehicles in Montreal and two vehicles in British Columbia to propane, bringing the total number of converted vehicles to 23. Each vehicle converted saves approximately \$4,200 in fuel costs per vehicle per year and lowers GHG emissions by 27% per vehicle.

In addition, we sourced packaging from a paper mill closer to the Montreal plant, leading to a reduction in transportation-related CO₂. This change has the equivalent CO₂ impact of taking 25 cars off the road every year.



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Greenhouse Gas (GHG) Emissions ^{1,2} (short tons in thousands)	Fiscal 2010	Fiscal 2011	Fiscal 2012
Scope 1 — direct emissions	14	36	35
Scope 2 — purchased electricity ³	0	0	0
Scope 3 — indirect emissions ⁴	52	72	97
Total estimated emissions	66	108	132
Total GHG emissions growth year-over-year	N/A	63%	22%
Percentage of estimated greenhouse gases offset through “forward stream” purchases from NativeEnergy (direct and indirect from operations)	100%	100%	100%

¹ We look to a variety of best practices and resources to calculate emissions, including GHG protocol, U.S. Energy Information Administration (EIA) Voluntary Reporting of GHG, and Emissions & Generation Resource Integrated Database (eGRID).

² We currently track and report carbon dioxide emissions only.

³ We offset 100% of estimated emissions from our measured carbon footprint through the voluntary purchase of Renewable Energy Certificates. Consistent with EPA guidance, we began recording zero scope 2 emissions based on purchased offsets in fiscal 2010.

⁴ Scope 3 emissions include transportation of raw material and finished goods by third-party logistics partners to and from GMCR-owned or -leased facilities, employee commuting and corporate travel, which includes reimbursed miles, rental car emissions, and air travel.



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Energy Use and Greenhouse Gas Emissions

Using energy efficiently is one of our top operational priorities. Beyond the benefits to the bottom line, reducing energy use wherever possible also reduces greenhouse gas emissions (GHG) and our contribution to climate change. We have also gone beyond energy efficiency projects to reduce our climate impacts by offsetting our greenhouse gas emissions through “forward stream” purchases from NativeEnergy that are produced over time (up to 20 years in some cases).

Most of the energy used by GMCR is in the Specialty Coffee business unit (SCBU) and the Canadian business unit (CBU), the two units that roast and package coffee and other beverages, though all of our business units use energy in office spaces and to fuel corporate travel and employee commuting.

Through our 2012 fiscal year, we tracked energy performance by calculating total energy use for a facility or business unit in therms and normalizing or dividing this number by \$1,000 in sales. Energy use of facilities varies greatly, partly due to factors beyond the energy efficiency of the equipment and operations. Normalizing is the process of removing the impact of these factors on energy use to fairly compare the energy performance of facilities and operations.

Beginning in fiscal 2013, we will begin installing the infrastructure to track our energy performance through two lenses — roasting and packaging. These two areas represent distinct controllable, energy-intensive processes. For roasting, we will measure how much energy we are using to roast a pound of coffee. For packaging, we will look at the amount of energy needed to package a single serving of beverage. This new measurement method will help us understand our energy performance in a way that is neither affected by product mix changes nor impacted by changes in the market price of our final products. In addition, it will help us better account for coffee that is roasted by partner companies but sent to us for K-Cup® pack assembly. Going forward from fiscal 2013, this change in our energy metrics will help us to more clearly track the energy gains resulting from our energy-efficiency initiatives.

During fiscal 2012, under our historical method of measurement, our total energy use rose by about 20%, reflecting growth in our business, including increased coffee roasting and packaging and the addition of new facilities, while our normalized energy metric showed a 17% improvement across the Company.



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Total Energy Use (therms)	Fiscal 2010	Fiscal 2011	Fiscal 2012
Scope 1 — direct energy	1,792,003	4,943,304	5,089,117
Scope 2 — purchased electricity	839,178	1,910,187	2,431,929
Scope 3 — indirect energy ¹	1,729,144	2,766,998	4,021,444
Total therms	4,360,325	9,620,488	11,542,490
Normalized energy metric (therms/\$1,000 net sales, including affiliate sales)	3.2	3.6	3.0
Energy metric change year-over-year	-14%	13%	-17%

¹ Scope 3 includes energy used in transportation of raw material and finished goods by third-party logistics partners to and from GMCR-owned or -leased facilities, employee commuting and corporate travel, which includes reimbursed miles, rental car emissions, and air travel. It does not include energy used to manufacture our Keurig® Single Cup Brewing Systems, which is outsourced.

Fiscal 2012 Facility Energy Efficiency Performance Relative to Targets ¹	Fiscal 2012 Target	Fiscal 2012 Actual
Vermont, multiple locations	0%	-17%
Knoxville, Tenn.	-3%	-9%
Sumner, Wash.	0%	-15%
Castroville, Calif.	-5%	10%

¹ All targets are relative to fiscal 2011 measurements and results are calculated as the percentage difference in the normalized energy metric (therms/\$1,000 of net sales, including affiliate sales).

Energy Efficiency Initiatives

To drive ongoing energy efficiency improvements, we set targets for all but the newest of our manufacturing facilities by forecasting the expected number of sales dollars to be produced per facility and developing a corresponding target for energy use (the goal for new facilities is to develop a baseline of energy use). During fiscal 2012, three of the four facilities over-performed relative to their targets for more efficient energy use — two of them for the second year in a



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row — thus reducing costs and using less energy per sales dollar generated compared to the previous year. The Castroville, Calif., facility saw an increase in energy use over the targeted amount.

During fiscal 2012, we implemented a number of initiatives in our buildings and manufacturing plants to improve our energy efficiency and cut GHG emissions. These included the following:

- In Essex, Vt., we saved an estimated 2,102,400 ccf of natural gas per year by employing new pollution control technology that meets rigorous air quality standards while using heat recovery to capture waste heat from our roasting pollution controls. The heating, ventilation, and air conditioning (HVAC) system at Essex is also new, providing an estimated savings of 123,000 ccf of natural gas per year. We continue to install new air compressors and new packaging lines with utility meters in the Essex plant, and look forward to monitoring and learning from energy efficiency gains through these systems.
- In fiscal 2012 we opened our newest LEED-certified office buildings in South Burlington, Vt., and we continue to pursue energy savings when making building improvements. Our 124 Technology Park Way building was certified LEED gold, and includes low VOC interiors, high efficiency Energy Star rated equipment, as well as high efficiency plumbing fixtures. Up to 60% of hot water demand is provided by solar collector panels. Our 55 Community Drive building attained LEED silver certification.
- In our Waterbury, Vt., plant, we included spray foam insulation, a new insulated room, high efficiency boilers, and LED lighting. By installing new, more efficient lighting and HVAC systems, we estimate we will save 191,000 kWh and 14,585 gallons of propane per year. Our energy-efficient lighting in South Burlington is projected to save about 178,000 kWh per year.

Energy Efficiency Initiatives	
Project	Estimated Annual Savings (kWh)
Waterbury, Vt., Plant Expansion	555,454.19
Essex, Vt., Plant Expansion	2,669,000.00
South Burlington, Vt., - 124 Tech Park Fit-up / 30 Community Drive	178,000.00
Total	3,402,454.19

In fiscal 2013, we will continue our installation of sub-meters to track energy use on an individual machine basis. This will help us to understand how small-scale changes can help us improve efficiency. These changes, as well as others we've made, are simply a smarter way of operating.

Greenhouse Gas Emissions

Only CBU owns and operates its vehicle fleet, which makes reducing transportation-related CO2 emissions a particular priority for our CBU. We continued innovating in our vehicular fleet to gain efficiencies in fuel use and GHG emissions. More than 300 drivers received “ecodriving” training through Canada’s Ministry of Natural Resources, which teaches how to drive in a smart and more fuel-friendly way. We also piloted a GPS project with 10 vehicles in



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⁴ Scope 3 emissions include transportation of raw material and finished goods by third-party logistics partners to and from GMCR-owned or -leased facilities, employee commuting and corporate travel, which includes reimbursed miles, rental car emissions, and air travel.

During fiscal 2012, we continued to offset 100% of U.S. and Canada estimated emissions from our production and distribution operation, our offices, delivery fleet, business travel, and commuting, as well as a portion of direct emissions from the inbound and outbound carriers and freight services for which we are charged.

We purchase “forward stream” offsets from NativeEnergy (www.NativeEnergy.com) or offsets that are produced over time (up to 20 years in some cases). We support wind, biogas, and hydro energy sources, and specifically buy these forward stream offsets because our purchases supply vital upfront funding. This ensures that our purchases make a difference by enabling new project construction. Offsets are retired at the end of the project period. While these



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projects reduce emissions as they operate over periods of up to 20 years, GHGs in the atmosphere are a long-term problem, and helping to build clean infrastructure is an essential part of the solution.

During fiscal 2012, we purchased offsets equivalent to approximately 132,000 tons of GHG emissions.

Reducing Waste Sent to Landfills

We are reducing the amount of waste we send to landfills by focusing on recycling, composting, repurposing, and waste-to-energy conversion. The SCBU and CBU generate the majority of GMCR's waste through coffee roasting and packaging.

This diverted waste includes a number of items such as 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, and coffee bean chaff (the outer layer left over after roasting) and scrap organic material.

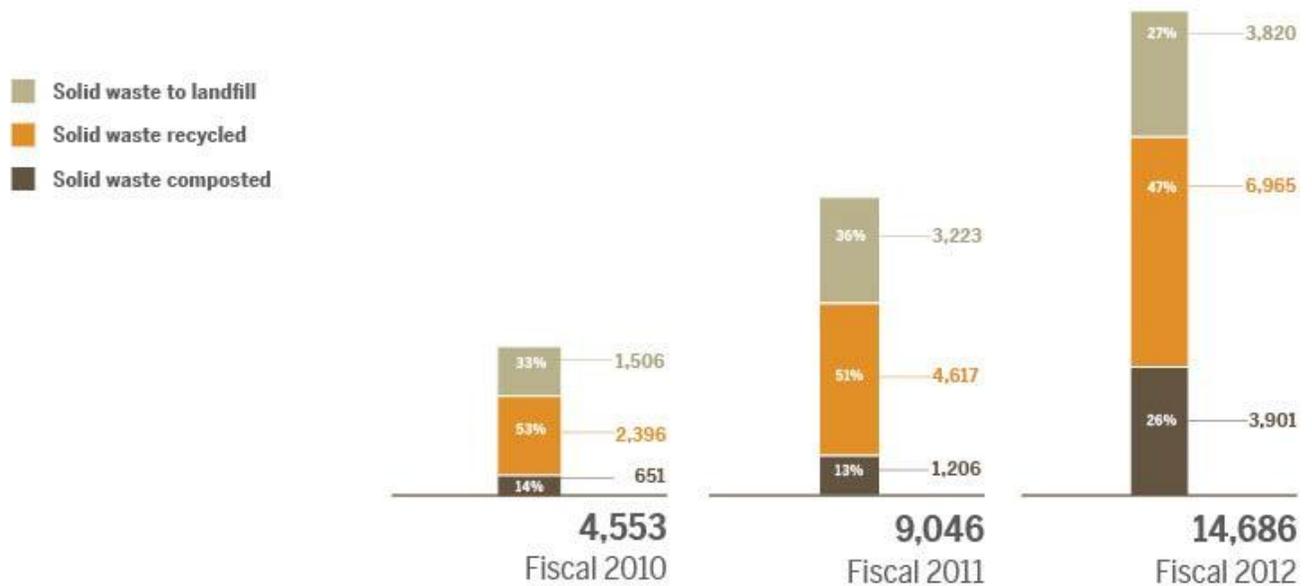
We are working to send zero waste to landfill from each of our plants. Our roasting plant in Toronto diverted 99.3% of all waste from entering landfills by the end of 2012.



¹ Includes waste diverted from third-party logistics locations.

In this process, we collaborate with a wide range of partners. In Sumner, many of our recycling partners – private recycling firms - are local to our facilities, helping us to minimize the amount of fuels used to transport materials for processing. Where possible, we divert burlap sacks to local communities in recycling or reuse initiatives. For example, the Sumner, Wash., plant provides burlap sacks our coffee comes in for many community uses; they are used to hold soil for construction projects, as a wheelchair pathway for kids at a children's playground in Seattle, and to wrap organic material that filters rainwater before the runoff goes into the Puget Sound. In Waterbury, Vt., burlap is made available to the community via self-serve bins behind the production plant.

Waste Generation and Management (tons)



In fiscal 2012, our overall waste generation increased, as did our total solid waste relative to sales dollars. The amount of waste chaff, burlap, coffee, powder, and tea we composted more than tripled and now accounts for more than 26% of all waste we generate. Recycling of corrugated boxes, boxboard, paper, and plastics also increased by more than 50% relative to fiscal 2011 and we are recycling 47% of the waste we generate. Landfilling grew as well, but at a slower rate of 19%.

Fiscal 2012 Facility Waste Reduction Performance Relative to Targets¹

	Fiscal 2012 Target	Fiscal 2012 Actual
Vermont, multiple locations	-2%	46%
Knoxville, Tenn.	-8%	-17%
Sumner, Wash.	-3%	2%
Castroville, Calif.	-15%	-11%

¹ All targets are relative to Fiscal 2011 measurements and results are calculated as the percentage difference in the normalized waste metric (tons/\$1,000,000 of net sales).



Case Study: Creative Recycling Helps Sumner Plant Cut Waste to Landfill

What's one of the best ways to cut waste at a manufacturing facility? Have a supervisor with an aversion to throwing things away. At our specialty coffee manufacturing and distribution facility in Sumner, Wash., we've got just that in Maintenance Supervisor Bill Joyner. With help from his colleague, Andrew Hazen, and support from facility staff and local community partners, they've made great strides in saying good-bye to waste.

In addition to being wasteful (obviously), sending material to landfills costs a lot of money — \$139.94 per ton, to be exact. And when you process tons of coffee per month, every pound of waste adds up.

That's where Joyner and Hazen come in. They've found ways to not only reduce waste, but also to bring in additional revenue at the same time. For example, recycling waste materials such as wood and scrap metal earned the plant \$7,800 in a single month during fiscal 2012 due to the sales of these materials to third-party recyclers.

In another project, the two men re-evaluated the procedure of sending to landfill coffee that didn't live up to the high standards of our K-Cup® packs. They realized that sub-par coffee could instead be sold for 45 cents per pound to a company that used it as freeze-dried coffee. In just one month, the Sumner facility sold 114,000 pounds of this repurposed coffee, netting \$51,300 in profit while saving almost \$8,000 in landfill costs in one fell swoop.

"Our waste-diversion efforts aren't about the profits — though that's a nice benefit," says Hazen. "We're driven more by our desire to keep materials out of landfills and give them a second life."

The team has built strong relationships with the Puget Sound community through their efforts. Joyner and Hazen found several new uses for the large burlap bags that green coffee beans are shipped in. They've been given new lives holding soil on construction sites, as part of a wheelchair ramp at a Seattle playground, and as rainwater filters to reduce pollution runoff into Puget Sound.

Ideas for waste-reduction projects come from all over. Students at nearby Pierce College take part in a program to bring business ideas to market, and they regularly approach GMCR with waste-reduction ideas.

Even something as simple as replacing paper towels with hand blowers made a difference, cutting paper towel waste by two-thirds of the prior total use.

"We're a food-handling facility, so you can be sure that we wash our hands a lot," Joyner says. "Cutting out all that paper waste was really satisfying."

Recycling at Sumner dates back to August of 2009, when Hazen was asked to launch a program to reduce and reuse facility waste. That month, they recycled 4.5 tons of materials, including corrugated boxes, boxboard, paper, and plastics; in September 2012, by remarkable contrast, that number had grown to over 400 tons.

Meanwhile, Joyner and Hazen have also been working with GMCR facilities to share best practices across the Company.

"It comes down to teamwork," Joyner says. "We work great as a team here in Sumner, but there's no reason why we can't tap into this same enthusiasm at our other facilities and really make a difference."



Sustainability Report FISCAL 2012

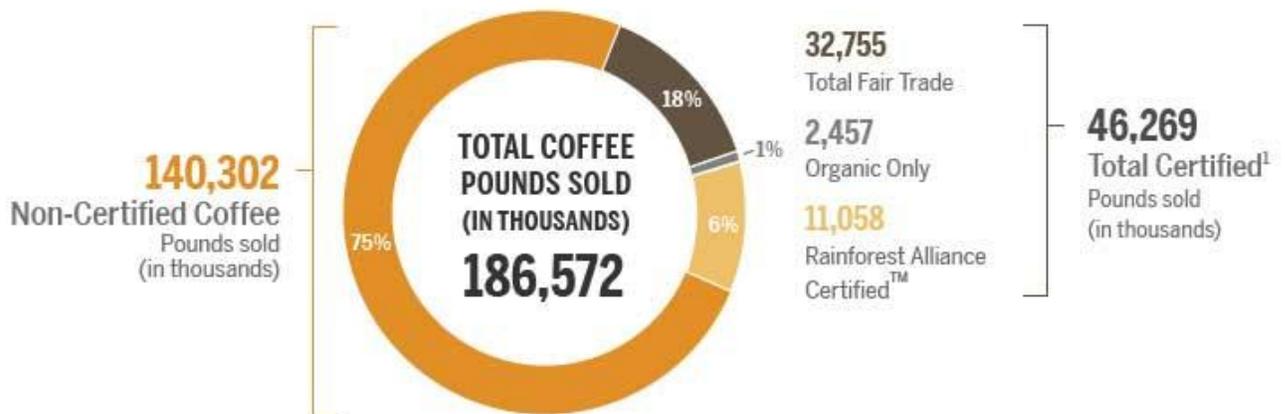
Our Consumers

We drive change in the world by investing in high-quality, sustainably sourced products that contribute to better communities wherever they are produced. (Read more in the [Resilient Supply Chain](#) section.) The underlying requirements of programs such as Fair Trade and Rainforest Alliance certifications help to improve the social welfare and economic viability of coffee farmers. And the more consumers purchase these products, the more we can increase our investments in coffee-growing communities.

Products with the Fair Trade certifications or Rainforest Alliance Certified™ seals sometimes cost consumers more — when they cost us more — so we work hard to educate shoppers about the differences their purchases can make to the farming communities and to the quality of the coffee.

Few companies engage with coffee certification programs on the scale that GMCR has. We are committed to steadily increasing the number of products we purchase that earn Fair Trade certification and increasing awareness of what Fair Trade Certified™ products mean among consumers. Our Newman’s Own® Organics coffees, a licensed brand for which we buy and roast all coffees, are 100% Fair Trade Certified™ and organic. Van Houtte® has also committed to increase its support to Fair Trade in Canada. Rainforest Alliance certification is a key platform for the Timothy’s World Coffee® brand. Emeril’s® coffees and Caribou Coffee® K-Cup® packs, both licensed coffee packaging agreements, are 100% sourced from Rainforest Alliance™ Certified farms. (Read about the certifications we use in our [Coffee Certifications Field Guide](#).)

Certified Coffee Sales, Fiscal 2012



¹ Any discrepancies are due to rounding



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In fiscal 2012, we sold over 32 million pounds of Fair Trade coffee (which includes both Fair Trade Certified™ from Fair Trade USA and Fairtrade Certified™ from Fairtrade International), almost 2.5 million pounds of organic only coffee, and more than 11 million pounds of coffee from Rainforest Alliance Certified™ farms. This trend continues to highlight our focus on expanding our sales of Fair Trade, Fair Trade organic, and Rainforest Alliance Certified™ lines, while reducing the share of conventionally sourced coffee in our total sales. See our goals for fiscal 2013 — as well as how we stacked up in fiscal 2012 — in the [Our Commitments to Certifications](#) section.

Brand Commitments

In order to continue the growth of certified coffees, we must work to raise awareness about, and consumer demand for, coffee certified within established programs among consumers. In fiscal 2012, each of our business units kicked off projects to show consumers just how much power their purchases can have.

When consumers learn about and understand Fair Trade, it's very easy to get them to purchase it. People are begging for a better understanding of their purchasing decisions, so what we really need to do is find more and more ways to get our message out."

— *BILLY LINSTEAD GOLDSMITH, NATIONAL COORDINATOR, FAIR TRADE CAMPAIGNS, FAIR TRADE USA*

Green Mountain Coffee®

October is the start of our fiscal year and also coincides with Fair Trade Month. The Green Mountain Coffee® brand has taken this month as an opportunity to celebrate the benefits of Fair Trade, and in fiscal 2011 and fiscal 2012, we stepped up our outreach to consumers about the importance and benefits of Fair Trade Certified™ products, partnering with celebrity musicians Michael Franti of Spearhead and Grace Potter.

We gave the artists — each of whom has a strong connection to our brands as well as to Fair Trade — an opportunity to see what Fair Trade looks like on the ground. When Franti traveled to Sumatra, Indonesia, and Potter visited Colombia, they experienced the impact of Fair Trade certification first hand and created video content that was shared with consumers to bring the idea of Fair Trade coffee to life. These trips, which were versions of the “origin” trips we send employees on each year (see more about these trips in [Thriving People and Communities](#) [link]), create ambassadors for Fair Trade, and we were proud to partner with these world-class musicians to help spread the word.

Franti and Potter also acted as spokespeople to the media, each performing a free concert that we streamed through our Facebook page. These concerts were accessible only to those users who had taken the time to view videos and stories about Fair Trade certified coffee, ultimately resulting in 38,000 views to information about the importance of Fair Trade certification.

In addition to our online outreach, we worked with retail outlets to drive sales of our Fair Trade coffees. We provided shoppers with more than 100,000 free samples and 50,000 coupons for Green Mountain Coffee® Fair Trade Certified™ coffee over the course of a month, and promoted Fair Trade coffees in Kroger supermarkets and Sam's Club stores.

In fiscal 2013, we will continue our work with celebrity spokespeople, and we plan to take our outreach efforts to even higher levels.



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Timothy's World Coffee®

Timothy's World Coffee® brand has made sourcing from Rainforest Alliance Certified™ farms a key platform for its sustainable products. In fiscal 2012 we supported the Rainforest Alliance globe-spanning "Follow the Frog" week to raise awareness about Rainforest Alliance certification and to highlight our commitment to the organization. We also produced a short informational video helping shoppers understand what Rainforest Alliance® certification means and why it's a powerful tool to help build a more sustainable world.

Watch a video highlighting Rainforest Alliance [here](#).

Van Houtte®

For the second year in a row, Van Houtte® supported Fairtrade Canada's "Fair Trade Fortnight" during the first two weeks in May. We used the event to highlight the benefits of Fair Trade certification and underline our commitment to Fairtrade Canada. In fiscal 2012, we also created a short video aimed at educating consumers about Fair Trade. In recognition of our efforts, we are proud to have received one of seven Canadian Fairtrade Awards from Fairtrade Canada, given to the Canadian organizations that best supported Fair Trade in 2012.

Watch a video highlighting Van Houtte and Fair Trade [here](#).

Coffee Certifications Field Guide

Fair Trade

Fair Trade certification is an innovative, market-based approach to sustainability that restores the balance of power between coffee growers and buyers while promoting social benefits in local communities and protecting the environment. To qualify for Fair Trade certification, farmers must adhere to strict environmental and social standards designed to strengthen communities and protect fragile ecosystems.

In support of these efforts, farmers receive a fair price for their beans. As of April 2011, the minimum price paid for Fair Trade Certified™ coffee is \$1.40 per pound, with a \$0.20 premium per pound that goes directly to a community development fund. If the coffee is organic, farmers earn an additional \$0.30 per pound. The additional income provided to farmers via Fair Trade certification may also support quality improvement initiatives, enabling farmers to earn even higher prices for their beans. GMCR paid an average of \$3.17 per pound of coffee in fiscal 2012, with an additional commercial coffee premium ranging from 7 cents to 46 cents, depending on the certification earned.

Fair Trade USA and Fairtrade International

Fair Trade USA [link to: <http://www.fairtradeusa.org>] was a member of the global Fairtrade International [link to: <http://www.fairtrade.net>] network until January 2012, when it parted ways in order to include larger coffee plantations in its certification, beyond the smallholder cooperatives required for the Fairtrade International certification.

GMCR believes both Fair Trade USA and Fairtrade International (previously known as FLO) are committed to improving the lives of coffee farmers, yet we understand there are differences in perspective between the two organizations on how to achieve their common goal. We value our relationships with both Fair Trade USA and Fairtrade International. We respect the continued role Fairtrade International plays as a leading voice in the global fair



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trade movement and the vital role Fairtrade International and the certifying body FLO-CERT have played in certifying coffee cooperatives. We also support Fair Trade USA in its efforts to innovate and expand the Fair Trade model to allow more farmers and workers to benefit, and to increase consumer engagement with Fair Trade. We are excited by the current momentum of Fair Trade in the U.S., and the energy behind Fair Trade USA's vision.

Organic

In the most basic sense, organic means grown or raised naturally. For crops, this means that no prohibited chemicals, sewage sludge, radiation, or genetic engineering are used on the product. The USDA defines organic as "an ecological production management system that promotes and enhances biodiversity, biological cycles, and soil biological activity. It is based on minimal use of off-farm inputs and on management practices that restore, maintain, or enhance ecological harmony.

The primary goal of organic agriculture is to optimize the health and productivity of interdependent communities of soil life, plants, animals and people." At the same time, organic agriculture does not make claims that a product is free of something, nor does it render judgment about the quality, safety, or nutrient value of a product. Our certifier of organic coffee is Quality Assurance International (QAI). Organic is often coupled with other certifications, such as Fair Trade.

Fair Trade Organic

Fair Trade organic-certified coffees meet the standards of both Fair Trade and certified organic coffee.

Rainforest Alliance Certification

The Rainforest Alliance (www.rainforest-alliance.org) is a nonprofit organization working to conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices, and consumer behavior. It links the protection of forests to the economic prosperity of local farmers, communities, and businesses; and ensures workers receive proper training and enjoy safe conditions, proper sanitation, healthcare, and housing.

Coffee from Rainforest Alliance Certified™ farms is grown using methods that help promote and preserve biodiversity, conserve scarce natural resources, and help farmers build sustainable lives. The certification standards guide farmers toward sustainable farm management and provide independent auditors a measure for evaluating social and environmental improvements.

Farm Identified

The Farm Identified 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 make more informed purchasing decisions as we strive to meet our commitment to corporate responsibility.

At the core of our Farm Identified program is the belief that greater engagement with our farm partners has a positive impact on the social and environmental communities for farm workers, their families, and our Company. When we work with our Farm Identified suppliers, we have the opportunity to connect them with the marketplace and assist them as they work toward sustainability.



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Our Commitment to Certifications

We have been steadily increasing our commitments to certified coffee. In fiscal 2012, we stepped up our support of Fair Trade USA with a \$550,000 grant to help the organization spread the message about the benefits of Fair Trade products.

Our goal is to continue selling more coffees that meet these certifications, particularly Fair Trade USA and Fairtrade International, both through the introduction of new product lines that are Fair Trade and through achieving certification for our existing products.

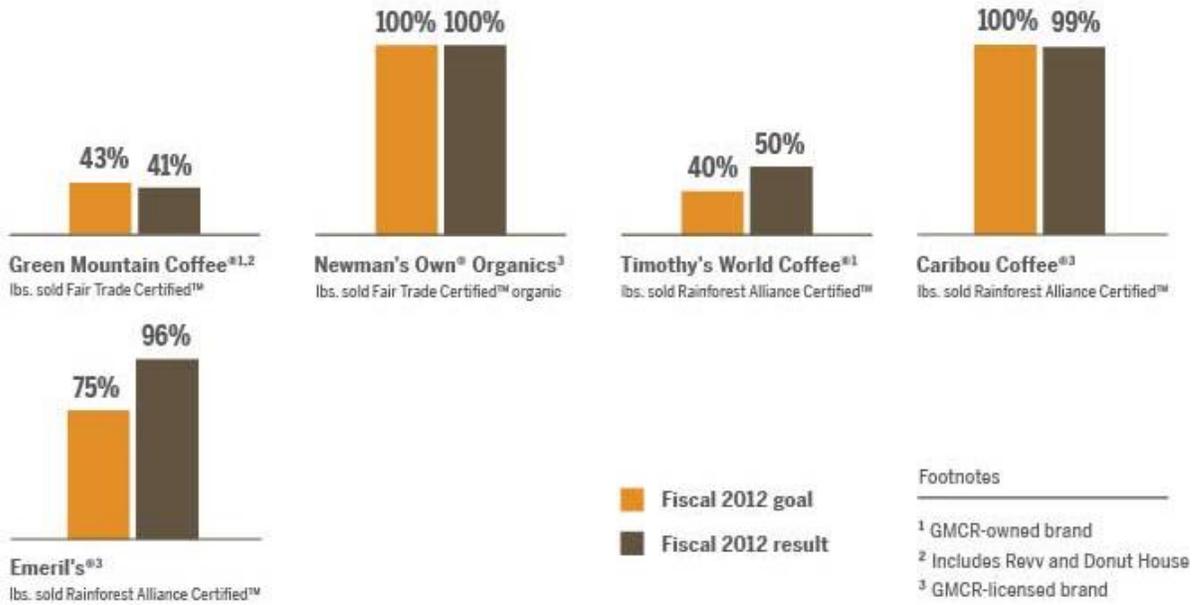
For fiscal 2013, we will convert our signature Green Mountain Coffee® Nantucket Blend coffee to 100 percent Fair Trade Certified™ — a move that represents approximately 5 million pounds of Fair Trade Certified™ coffee and will deliver an estimated \$1 million in Fair Trade social premiums — investments in health, education, and development projects — to coffee farmers annually. In addition, we are setting a goal of having every new Green Mountain Coffee® product produced by GMCR launched for broad distribution be Fair Trade certified.

These steps, which mark a strengthening of our relationships with both Fair Trade USA and Fairtrade International, will enable us to have a positive impact on the lives of more coffee farmers, which is the reason we first embraced the Fair Trade concept more than a decade ago.

In fiscal 2012, we continued to prioritize sales of certified products for our Green Mountain Coffee®, Newman's Own® Organics, Caribou Coffee®, Timothy's World Coffee®, and Emeril's® brands.

Brand Certification Goals

Certification goals and results for fiscal 2012



In addition to setting sales goals for certified coffees, we are committed to increasing the number of our products that earn certification each year — for new and existing products alike. In fiscal 2012, we certified seven existing Van Houtte® blends, reaching a total of 17 Van Houtte® blends with Fairtrade certification.



Sustainability Report FISCAL 2012

Thriving People and Communities

When we opened our doors in 1981 as a small café in Waitsfield, Vermont, we set out to make great coffee. We have grown substantially since those early days, adding new brands, technology, employees, and operations. Throughout our growth, we have continued to articulate and reinforce our purpose: to create the ultimate coffee experience in every life we touch — from tree to cup — transforming the way the world understands business.

Our employees share GMCR's common purpose and are motivated to help us achieve our goals. We focus on developing our people and engaging them in meaningful ways that go beyond their day-to-day jobs. We enable our colleagues to advance their careers and provide growth opportunities that benefit both the individual and GMCR as a whole. We cultivate an environment that encourages and supports giving back, and we engage many of our employees in doing so.

When our people thrive, our business thrives. And so do our communities.

GMCR has a deep and proud history of creating positive and sustainable change for communities and the environment in the places where we operate. We support local communities and nonprofits through grants, volunteerism, and product donation programs that are designed to benefit our communities, engage our employees, and strengthen our business.

This section highlights the ways that we support our people and the communities where we have operations within the U.S. and Canada. Please see the [Resilient Supply Chain](#) section for information about our 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 and Communities Fiscal 2013 Goals

- We will continue to build an exceptional workplace consistent with our culture and purpose by:
 - Engaging employees in workgroups and teams to develop and implement action plans for workplace excellence in response to our 2012 engagement survey
 - Refining our benefits offering in support of employee well-being
 - Continuing to enrich our learning offerings
- Our Employee Community Grant program will be active in all domestic locations in the U.S. and Canada, and teams at each site will begin to strengthen their relationships within their focus areas while also beginning to establish a method for measuring impact. Additional opportunities for employee engagement and skill development will be designed into the program.
- We will connect employees with volunteer opportunities that allow them to deepen their skills and/or apply their skills to the needs of the community.
- We will transition to a strategic product donation model that directly supports measurable outcomes for communities and the business.



Sustainability Report FISCAL 2012

Thriving People

GMCR's success depends upon the daily efforts of our 5,800 employees. Our culture of collaboration, engagement, and mutual respect fosters excellence, and we focus on hiring and developing talented individuals who share in our Company's core values. GMCR's people are passionate and committed, encouraged to be leaders and to take ownership of their work.

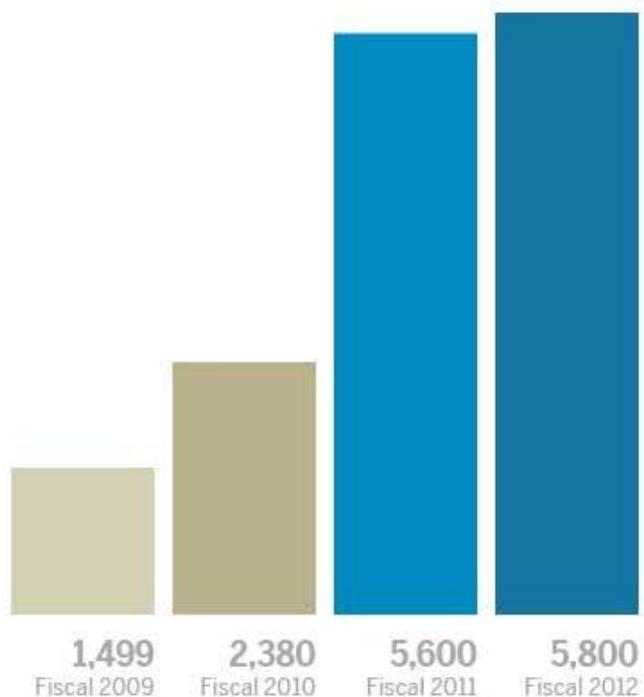
Great ideas come from all employees, and our working environment recognizes and rewards the contributions of each individual. As stewards of our Company and its purpose, employees can share collectively in our achievements by working together.

Approximate Number of Employees	
United States	4,100
Canada	1,700
Total	5,800

GMCR has seen amazing growth in a very short time. More than 4,300 new employees — or about 75% of our organization — joined us between the beginning of fiscal 2010 and the end of fiscal 2012. Over three decades, we evolved from a small, Vermont-based coffee roaster into a major beverage producer, coffee maker, and innovator, with operations across the U.S. and Canada and a complex supply chain that extends around the world.

Number of GMCR Employees

Through growth and acquisition, GMCR has stayed focused on maintaining 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.





Sustainability Report FISCAL 2012

Employee Engagement

Creating the ultimate coffee experience for consumers begins with our own team members. It's important that we understand our employees' experiences here at GMCR and find ways to improve upon them. Employees who are engaged and motivated are happier at work, more successful in their careers, and make more meaningful contributions to our Company.

We regularly gather employee feedback through surveys and other diagnostic tools that help us set goals and priorities, measure progress, enhance programs, and identify opportunities for improvement. In fiscal 2012, 81% of employees across our organization shared their views on working at our Company. Our 2012 survey included approximately 1,300 employees in Canada who were not part of GMCR's operations in 2010.

While the results varied across business units and locations, many themes held true companywide. Employees said they feel proud to work for GMCR and are especially proud of our corporate social responsibility commitments, including our community-focused volunteer programs. The overwhelming majority replied that, taking everything into account, GMCR is a great place to work.

I look forward to going to work. I'm engaged and motivated and I'm doing the things that I'm passionate doing."

— MIKE MENARD, TRAINING COORDINATOR, ESSEX JUNCTION, VT

Great Place to Work® Trust Index ¹	Fiscal 2010	Fiscal 2012
Taking everything into account, I would say this is a great place to work.	75%	83%
Average of all Great Place to Work® Model® Statements	79%	73%
Number of Responses	1,547	4,616

¹ The Great Place to Work® Trust Index[®] is a periodic company-wide survey that measures employee pride, camaraderie, respect, credibility, and fairness. We did not administer a survey in fiscal 2011.

At the same time, they highlighted opportunities for improvement, particularly around [career development](#) and overall internal communications. Employees want to know that their managers are taking a proactive interest in their careers and personal development. And, they want more opportunities to provide input on decisions that impact their work. We currently have mechanisms for employees to give us feedback and we will be looking for ways to build upon such efforts.

In addition, we heard a strong message that employees are eager to hear more first-hand information from senior management about where our Company is headed and how we're going to get there. They want information about important issues so they can understand the big picture. We are exploring additions to the communication tools we already have in place, such as the "town hall" style employee meetings we host every quarter and have introduced quarterly video and letters from our CEO.



Sustainability Report FISCAL 2012

Such candid and informative feedback enables us to continue to grow together. In fiscal 2013, we will be developing project plans to address their specific concerns. When evaluating results, we take into account business unit and geographic differences that can affect scoring.

Other key mechanisms for employee engagement include [volunteerism](#) and [grant making in the communities of our operations](#) and our [Company-sponsored “origin trips” to coffee-growing communities](#).

Employee Retention and Development

In an empowered workplace, employees feel informed, aligned, and connected. The greater the investments in employees, the more they will contribute to our organization through personal excellence and commitment. It is important that our people feel valued at work and that they are able to develop and advance in their careers.

GMCR's strong retention rate has hovered around 90% since fiscal 2007. Beginning in fiscal 2008, we set a goal of filling at least 20% of open positions with internal candidates. In fiscal 2012, we beat that goal for a third straight year, hiring 26% internally. Much of the external hiring has been due to job creation and the opening or expansion of our facilities.

The robust learning and development programs we offer are one of many reasons why our employees enjoy working for — and stay working at — GMCR. A suite of learning programs enables employees to grow personally and professionally, while aiding in the Company's organizational development. Training and education keep people flexible, adaptable, and prepared for the jobs of the future. People development has been especially important during the recent years of rapid growth at GMCR. This has required new skill sets to help lead GMCR into the future, and we're constantly striving to improve our efforts.

We offer a wide array of educational and enhanced well-being opportunities, including programs in leadership, professional and personal development, writing and technical skills, and safety.

In fiscal 2012, our U.S. employees logged nearly 197,000 hours of training — an average of 49 hours per person.¹

¹Does not include employees in GMCR's Canadian sites. Cumulative hours are for regular, full-time employees as of the last day of fiscal 2012.



Sustainability Report FISCAL 2012

Compensation and Benefits

GMCR has a strong compensation and benefits package that goes well beyond cash remuneration. Benefits include the following:

- * Health care coverage
- * Stock purchase and profit-sharing programs
- * Health savings plans
- * Wellness activities
- * On-site and Company-paid screenings for blood pressure, cholesterol, and biometrics
- * Wellness reimbursement of up to \$500 (in some locations) to support health club memberships, massages, weight-loss programs, and smoking cessation
- * At some sites, programs incorporating breathing, meditation, and stretching
- * Sliding-scale insurance contributions
- * Employee assistance programs
- * Retirement savings plans with Company match
- * Energy efficiency assistance for employees' home improvements (U.S. locations)
- * 52 hours a year of paid volunteer time and a matching donations benefit
- * Tuition reimbursements of up to \$5,250 per year, depending on the academic program
- * Scholarship opportunities for the children of full-time employees with at least one year of GMCR employment



Sustainability Report FISCAL 2012

Diversity and Inclusion

GMCR 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.

In fiscal 2012, U.S. employees self-identifying as minority made up 9.6% of management and 19.7% of our total workforce. Women made up 36.7% of management and 34.5% of employees overall. Among our 10-member Board of Directors, two are women. Of our executive officers, 27% are women.

Across all locations and business units, GMCR employees overwhelmingly said in our recent [employee engagement](#) survey that they feel people are treated fairly at our Company, 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.

Diversity ¹	Fiscal 2010	Fiscal 2011	Fiscal 2012
Women in management	33.4%	32.3%	36.7%
Women in workforce	36.3%	33.9%	34.5%
Minorities in management	7.0%	6.7%	9.6%
Minorities in workforce	15.5%	17.7%	19.7%

¹ U.S. only



Sustainability Report FISCAL 2012

Health and Safety

The health and safety of our people is a top priority. GMCR promotes a culture of safety and looks for ways to improve our injury rates. In fiscal 2012, we set a goal to reduce the rate of accidents and serious injuries in our U.S. manufacturing plants by 10% year-over-year. We have been making steady progress in the two categories we track for the U.S. government (Occupational Safety and Health Administration): the rates of injury severity and injury frequency. In fiscal 2012, we improved our severity rate by 21%; the injury frequency rate improved by 7%.

We also set a goal for our manufacturing plants to have rates below industry averages: 30% below the coffee and tea industry for the injury frequency rate and 10% below for the injury severity rate (See comparative data chart below).

One of GMCR's biggest safety challenges in recent years stems from our Company's swift growth. As we have acquired new businesses and expanded into new locations, we have been working to create greater consistency within our health and safety systems, ensuring that all of our nine manufacturing plants are aligned with GMCR's safety policies. In addition, the influx of new employees has required us to train large numbers of people in our safety policies and procedures. More than 4,300 individuals became GMCR employees between the beginning of fiscal 2010 and the end of fiscal 2012. Many of the new GMCR team members have primary fluency in French (in Canada) or Spanish (in California), so we have developed training manuals and programs in additional languages.

In fiscal 2012, we advanced our employee safety systems by creating a companywide Safety Council to set strategy for GMCR's safety programs. Comprised of about 40 members from all facets and levels of our operations, including senior management, plant directors, and other safety professionals, the council has been meeting quarterly.

Employee health and safety is managed at GMCR as a stand-alone program, separate and distinct from environmental health and safety. We have a team of 18 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.

All new employees who work at or near one of our manufacturing sites tour a manufacturing plant and receive training on safety basics. We also hold two in-depth orientations on safety for new employees who work in manufacturing or supply chain jobs. In fiscal 2012, we focused in particular on improving our behavioral safety culture, reinforcing that employees have responsibility for their own safety and that of their coworkers.

GMCR has also partnered with a consulting firm that helps companies improve their safety cultures. Together, we have been developing site-specific safety plans, tailored to issues that may be unique to particular locations. We are working with plant managers on safety observation training to help them pinpoint which areas need improvement. For example, we developed a basic, yet important, program called "eyes on path" that reminds employees to keep their eyes on the manufacturing floor — and not on a piece of paper in their hands — to help prevent slips, trips, or falls when walking in a plant. And, we are working with supervisors and managers on better methods for reinforcing positive safety behaviors and addressing negative safety behaviors in a constructive manner.



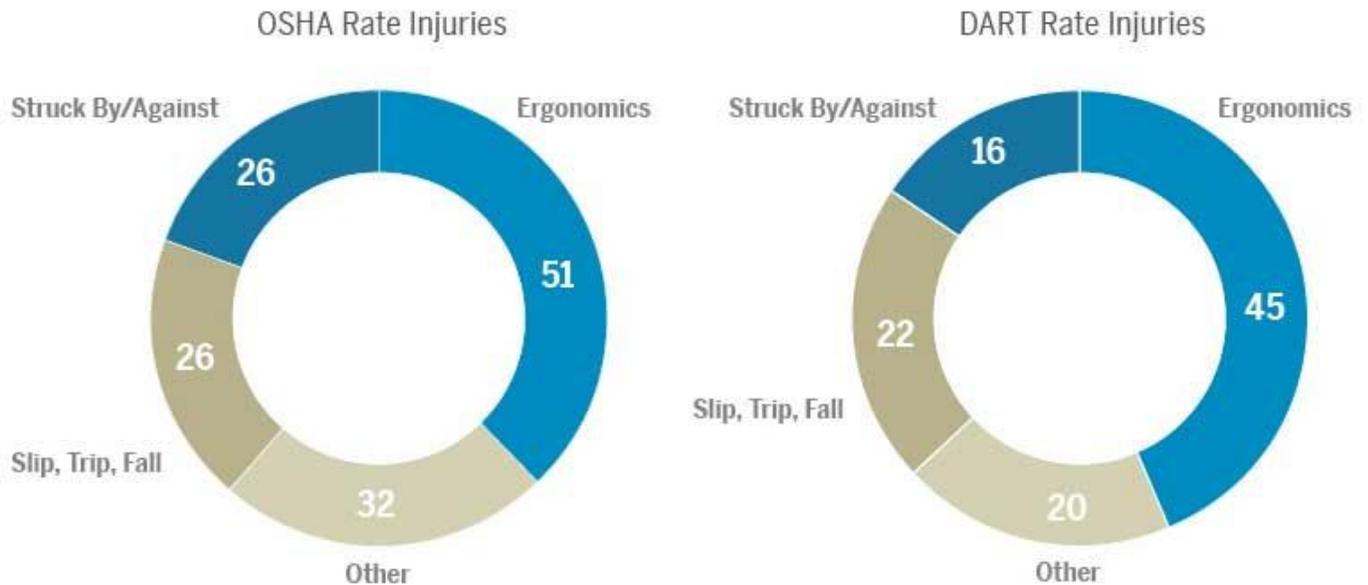
Sustainability Report FISCAL 2012

Employee Safety	Fiscal 2010	Fiscal 2011	Fiscal 2012
Injury severity (Days Away Restricted or Transferred, DART) rate	3.21	2.88	3.44 ¹
Workers' compensation claims	145	135	188
Injury frequency (Total Recordable Incidence, TRI) rate	4.03	4.80	4.23 ¹
Industry ² DART rate (coffee and tea)	2.90	N/A	N/A
Industry ² TRI rate (coffee and tea)	4.80	N/A	N/A
Occupational fatalities	0	0	0

¹ 2012 data includes all U.S. locations and Canadian manufacturing plants; prior years include U.S. locations only.

² Bureau of Labor Statistics industry data is for calendar year 2010; more recent data was not yet available at time of publication.

Safety: Injury by Type Fiscal 2012





Case Study: Employee Origin Trip — Going to Source

Ryan Houle is a self-professed coffee geek who is partial to darker blends. The 33-year-old Van Houtte® Coffee Services Inc. regional account manager became a coffee aficionado in his college days and joined Van Houtte® Coffee Services not long after graduation. Over 12 years with the Company, he had participated in tastings, toured a roasting facility, and watched as mechanized assembly lines filled packages of coffee bound for retail markets.

But it wasn't until he spent a week visiting several Mexican coffee farms that he truly grasped how much effort goes into his daily coffee.

"I never throw away any coffee any more — even if it's cold — because I know just how much work went into it," says Houle, one of 13 GMCR employees who traveled to Veracruz in January 2012 as part of our annual employee "origin" trips to coffee-growing locations. "Tossing it out simply isn't acceptable now that I've seen how hard the farmers work to get it to us."

Coffee farming is physically demanding and labor intensive. A pound of coffee must pass through many hands, in many parts of the world — farmers, cooperatives, processors, exporters, brokers — before it reaches GMCR. Still more sets of hands — hailing from a vastly different manufacturing environment — build the brewers that ultimately transform those beans into drinkable beverages.

Just how demanding is coffee farming? It took Houle and six colleagues three hours to pick 100 pounds of coffee cherries. That might sound like a lot. But by the time these beans are processed, that 100 pounds will yield about 150 of the individual coffee K-Cup® packs used for our Keurig® brewers.

Getting a first-hand sense of that effort is just one reason for these origin trips. We first began sending employees to coffee farms in 1992, when 11 employees headed to Costa Rica to learn about coffee farming and processing. Since then, origin trips have become a way for us to reward employees and improve teamwork. They also provide a unique opportunity for people from very different parts of our value chain — from different cultures, geographies, and lifestyles — to connect on a personal level, learning from each other what it takes to get from "tree to cup."

Over the course of two decades, scores of employees, from all business units and at all levels of employment, have visited farms in Mexico, Guatemala, Costa Rica, Colombia, and Nicaragua. GMCR covers all trip expenses, including airfare, food, and lodging for the week. In fiscal 2012, 35 employees went to four coffee-growing countries. In fiscal 2013, we expect to send at least 60 employees to five countries.

Ask an origin trip alumnus to describe the experience in a nutshell and the same adjectives pop up again and again. Amazing. Life-changing. Unforgettable. Inspiring. And that's just a few of them. For our GMCR employees, these trips offer a chance to visit a new country, meet new people, and learn about different cultures.

Houle, who created a lengthy photo slide show to share with colleagues, friends, and family who express interest in his trip, gushes with enthusiasm when relaying the details of his visit — from the peaceful hours spent in the fields picking coffee cherries with colleagues, to the camaraderie among his fellow GMCR travelers, to the pride of the coffee farmers who welcomed the visitors to their land and their homes.

"Everybody is just so passionate about their products and it was amazing to see. The farmers take so much care and they were so happy to show us their efforts," Houle says.



Sustainability Report FISCAL 2012

The trip, which included visits to three farms and several processing plants, also opened his eyes to the improvements brought about by education and entrepreneurship programs sponsored by GMCR and through certifications like Fair Trade. “I’ve always loved this industry and I love to see the good we can do,” he says. “I’m so grateful to be part of an organization that understands that the source of our product is important and that we have to take care of all the elements along the way.”

Since his return, Houle has set a goal to learn Spanish with the hope of leading future GMCR origin trips. When he meets with customers, he feels he talks with even greater passion about coffee and is better able to articulate the work that goes into the products.

“Clients always want to talk about price. But since my trip, price is no longer part of the conversation. When I take them through the process and communicate to them the effort that goes into the product, they seem to now understand,” he said. “It’s not just a cup of coffee anymore.”



Sustainability Report FISCAL 2012

Thriving Communities

We are dedicated to improving the sustainability and quality of life of our communities. Giving back has been an embedded activity within our Company since our start in the early 1980s. Outreach and philanthropic initiatives typically fall into three types of programs: grant making, workplace volunteerism, and product donations. As our business has grown, we have been refining our approach to have a greater impact on important social and environmental issues, while engaging employees more deeply in the communities and the issues. Our intent is to provide new opportunities for skills development as well.

As we further develop our strategy, we are working to find ways to better measure our impacts on both the communities and our employees. We want to be sure that the resources we expend on projects have strong business benefits as well as strong social and environmental impacts. We look forward to reporting on our efforts in the future.

We dedicate a portion of our pre-tax earnings each year to support social and environmental initiatives related to either our areas of operation in North America or our [supply chain communities](#).

“GMCR’s commitment to allowing the space and time for people to volunteer has real impact for the communities they are volunteering in. What I’m looking for in partnerships with the private sector is companies that are committed to their employees and that provide career path opportunities and training opportunities.”

— SHAWN ESCOFFERY, PROGRAM DIRECTOR, STRONG LOCAL ECONOMIES, SURDNA FOUNDATION





Sustainability Report FISCAL 2012

Volunteerism

A culture of volunteerism permeates our Company. We want our employees to feel engaged with the Company, and volunteerism is one critical means of accomplishing that goal. Together, our Company and our people can make a difference within our communities, while simultaneously benefitting our business as a whole. For our employees, volunteering provides opportunities to develop skills and deepen connections with local nonprofit organizations. As a Company, we benefit from employees who are happy, motivated, and engaged.

We offer many ways for our employees to give back, and we empower them to choose the opportunities that are most meaningful to them. Our unique Community Action For Employees program — better known as CAFE — allows our people to spend up to **52 paid hours each year volunteering in their communities during customary working hours**. In recent years, the average hours donated by our employees has been rising, reaching an average of 12.7 hours per employee in fiscal 2012. While we permit 52 hours of paid time, we recognize that some of our people may need greater encouragement to take advantage of this program. We are working on finding ways to boost the number of employees who volunteer each year.

Our separate Dollars-4-Doers program recognizes employees who volunteer at least 25 hours (outside of normal work time) at one organization. GMCR 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 2012, we contributed more than \$223,000 to charities and nonprofits through the matching donations program — nearly \$100,000 more than the prior year.

Our employees volunteer their time for a wide range of causes that are meaningful to them, from cleaning up beaches and rivers to planting gardens to organizing and distributing food at food banks. Many employees volunteer on projects supported by our [Employee Community Grants](#), resulting in more meaningful relationships with local nonprofit organizations.

In fiscal 2012, 3,655 of our people — or **65%** of our workforce, based on the average number of full-time employees for the year — participated in one of our volunteer programs. That was an increase of 10 percentage points in the participation rate, compared to two years earlier.

Workplace Volunteerism	Fiscal 2010	Fiscal 2011	Fiscal 2012
Total hours volunteered through workplace volunteer programs	15,528	30,586	71,606
Average hours volunteered per full-time employee	7.4	8.9	12.7
Employees volunteering through workplace programs (as a percentage of average full-time employees)	54.8%	59.4%	64.9%
Total dollars allocated to workplace volunteerism programs	\$361,054	\$663,000	\$1,434,897



Sustainability Report FISCAL 2012

Product Donations

Product donations are an important part of our Company's support of our communities. Our product donations program offers coffee to any 501c3 nonprofit, public school, or Canadian Registered Charity to support fundraising initiatives through our online donation process.

We work closely with food banks and other organizations to ensure excess inventory goes to good use. By establishing strong relationships with food banks local to our plants and distribution centers, we create a connection with our communities and reduce the environmental and economic impacts of shipping the product long distances. We also have a relationship with the nation's largest hunger relief organization, Feeding America. When quantities of donations are too large for local food banks, we work through Feeding America to distribute them across their national network.

Product Donations

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





Sustainability Report FISCAL 2012

Employee Community Grants

Our employees understand the needs of their communities. Our Employee Community Grant Program is designed to be employee-driven, harnessing the knowledge of our workforce while engaging employees in our programs as directly as possible. Teams of employees at our locations in the U.S. and Canada work together with their fellow employees and with leaders in their local communities to identify and bring resources to their most pressing social and environmental issues. We look for ways to connect the teams closely with their local focus areas so that they become well educated and tuned into those areas.

Our Company provides grants to organizations and projects, with particular emphasis on environmental stewardship, strong local systems, and economic prosperity. Each GMCR site has its own set of focus areas that are specific to their community and context. Diverse grant teams comprised of up to 12 employees review proposals and award funding to local organizations. We support proven approaches and innovation in areas that range from energy to education. These grants support projects and solutions that take a whole-systems approach, are multidisciplinary in planning and execution, and are designed to solve problems and not just respond to them.

In fiscal 2012, the Employee Community Grant Program contributed \$2.5 million to a variety of projects.

Domestic Grant Focus Areas In the U.S. and Canada, we focus our grant work on the following key areas:	Specialty Coffee Business Unit				Keurig	Canadian Business Unit			
	Castroville, Calif.	Knoxville, Tenn.	Sumner, Wash.	Vermont	Reading, Mass.	Quebec	Ontario & Atlantic Region	Montreal	Western Canada
ENVIRONMENTAL STEWARDSHIP									
Energy Use and Efficiency		•			•				
Clean Water & Healthy Rivers/Lakes/Shorelines	•		•	•		•	•	•	•
STRONG LOCAL SYSTEMS									
Sustainable Food Systems			•	•	•			•	•
Youth and Community Support Services	•	•							
Health and Wellness						•			
Affordable Housing and Homelessness							•		
ECONOMIC PROSPERITY									
Access to Quality Education	•	•	•	•	•	•	•	•	•



Sustainability Report FISCAL 2012

Strengthening Food Systems

The availability of nutritious food can contribute to a healthier and more sustainable community, more productive and engaged citizens, and a more food secure population. When the emphasis is on local, an added benefit is a healthy local agriculture economy, better quality food, and reduced energy needs for packaging and transportation.

GMCR supports a number of projects ranging from community gardens to regional food bank support, all of which represent facets of a sustainable food system. Recent grants include the following:

* A \$100,000 grant to the Vermont Sustainable Jobs Fund to support the multi-stakeholder Vermont Farm to Plate Strategic Plan. Early-stage funding is helping to transform the current food system to a local- and regionally-based sustainable food system. The funding also provides the infrastructure needed to enable coordinated collaboration and monitoring of progress in implementing the statewide plan. In addition, we support a number of organizations that are working closely to achieve the goals of the Farm to Plate Strategic Plan, including Vermont FEED (\$100,000), the Intervale Center (\$21,000), and Compost Association of Vermont (\$34,000).

* A \$20,000 grant to Vermont's Center for Sustainable Systems, which works with local high school teachers to use the food system to deliver purposeful, experiential lessons to all students across a variety of academic disciplines. Teachers are developing curriculum to use in the classroom, to be paired with field work based on the farm of another nonprofit organization we support: Food Works at Two Rivers Center.

* A \$20,000 grant to support The Food Project's Urban Agriculture Program, which grows healthy food for members of underserved communities in Boston and the nearby city of Lynn, Mass.

* In Washington State, a \$15,000 grant to support Solid Ground's Lettuce Link Program, which supports urban organic gardening and increased access to fruit and vegetables for at-risk individuals.

Many of our employees also volunteer their time in support of food projects. In Knoxville, Tenn., for example, our employees participate in Feeding America's Backpack Program, which fills bags with nutritious, easy-to-prepare food for children to take home on weekends. Employees from our Sumner, Wash., facility supported a variety of projects at the Puyallup Foodbank in fiscal 2012. And in Vermont, more than 50 employees volunteered over the summer of 2012 at the Vermont Foodbank, preparing and sorting donation boxes.