Overview
Integration. Commitment. Accountability.

Welcome to the Keurig Green Mountain, Inc. (Keurig) fiscal 2016 sustainability report. As a company founded on social responsibility, we are committed to using the power of business to Brew a Better World. This report highlights our efforts, including our progress toward our 2020 sustainability targets. Our work focuses on three key areas: our commitment to Environmental Responsibility, including development of the recyclable K-Cup® pod; creating Strong Supply Chains; and supporting Our People and Communities. An important theme to our work is Clean Water, a cross-cutting topic that impacts much of what we do.
I’m so pleased to be able to introduce this sustainability report — my first since I joined Keurig Green Mountain last year.

So many things have impressed me about this company during the last year — most of all, the people of Keurig. Not a week goes by that I’m not asked about our sustainability progress by one of our team members. Our people are engaged in our efforts, and they have great ideas on how we can take our business and products to the next level. We’ve heard time and again that our sustainability programs and company values are primary reasons why people choose to work here.

As this report shows, there’s much to be proud of here at Keurig, from our efforts to reduce the environmental footprint of our operations and products to our partnerships that improve the livelihoods of coffee farmers around the world. The launch of our recyclable K-Cup® pod is an excellent example of how our team is taking our business to the next level. We are ensuring that the new eco-friendly pods are not only recyclable but also recycled in local community programs by working with communities and recyclers across North America.

Our progress on the sustainability front will enable growth for the Company, opening doors of opportunity for our employees, our customers, and our business as a whole. I am even more excited about Keurig’s potential than I was when I started on this journey, and I am confident that the work we are doing today is setting the stage for a bright future.

Sincerely,

Robert (Bob) J. Gamgort
Chief Executive Officer
June 5, 2017

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

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

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

We Brew a Better World. We use the power of business to make the world a better place.
Welcome to our fiscal 2016 sustainability report! I’m proud and excited to share our progress with you … and there is so much to share! As a company founded on social responsibility, we continue to pioneer sustainable coffee practices and social impact partnerships in coffee-growing regions around the world. The work that began over 20 years ago by Green Mountain Coffee Roasters has resulted in better livelihoods for coffee farmers and their families. And as the work continues and grows via partnerships and on-the-ground projects, we are steadily approaching our goal of 1 million farmer livelihoods improved. Today, more than 417,000 people in our coffee supply chain have been engaged in projects to improve farming techniques, diversify incomes, and adopt climate- and water-smart practices.

We know environmental sustainability on farms yields high quality coffee and improved farmer and community health. We also know reducing the resources that we and our consumers use every day yields environmental sustainability for our business. I’m thrilled to share that we have met or are very near to meeting three out of our four environmental impact targets!

In 2016, we met our 2020 target to reduce life-cycle greenhouse gas emissions of brewed beverages by 25%. We achieved this through innovative efficiency measures that also accommodated growth of the Company. In addition, we have nearly reached two other targets: balancing 100% of the water used in brewing our beverages, and 100% waste diversion from landfill for our operations across North America. We expect we will hit our 2020 targets for water and waste ahead of schedule, as we already have for energy use and emissions. Our teams are now eager to set new and aggressive targets to move the needle even further.
Our fourth environmental impact target is arguably our most impactful — 100% conversion of all K-Cup® pods to a recyclable format. In 2016, we announced that the first recyclable K-Cup® pods were available for purchase — a significant milestone on our journey. Today, we are excited to announce that we will transition all K-Cup® pods in Canada to the recyclable format by the end of 2018. And we remain on track to convert all pods in North America by the end of 2020.

Ensuring that the material we use for our pods is recyclable is just one factor in the equation. Our commitment to our consumers and stakeholders is that our K-Cup® pods will be recyclable and recycled. We are pursuing recyclability the right way by working in advance of the transition with recyclers across North America to ensure that the pods can be sorted and captured in ways that ensure a second life for valuable plastic material. The realities of recycling are complex and depend on equipment, economics, household behavior, and a variety of other factors. Our tests at recycling facilities, using an award-winning protocol of our own design, have provided valuable insight to recyclers and to the industry in general into how K-Cup® pods and other plastic items travel through recovery equipment.

When considering that in the United States today, only 34% of people recycle on a regular basis, and only 14% of plastics get collected for recycling, there is significant room for improvement in plastics recycling to keep valuable resources in their highest use possible. For this reason, our work extends past designing a recyclable product to encouraging recycling behavior changes and boosting recycling rates. We have joined forces with others in our industry, and are investing more than $1 million a year through organizations such as The Closed Loop Fund and The Recycling Partnership, to affect change at a system level and to ensure that all plastics have a useful second life as new, durable products.

I invite you to learn more about our Company, our products, and the opportunity to make smart choices in our everyday consumption. This report shows how we’re delivering on our commitments to you — one cup at a time.

Monique Oxender
Chief Sustainability Officer
June 5, 2017
Our Company

Keurig is a leader in specialty coffee and innovative single serve brewing systems. Committed to delivering exceptional coffee for more than 35 years, today our Keurig® brewers and single serve hot beverages are in more than 20 million homes and offices throughout North America. In under a minute, Keurig® brewers consistently and conveniently deliver a fresh-brewed, great-tasting cup with just the push of a button. As a testament to that quality, more than 50 leading global coffee, tea, and cocoa brands have partnered with Keurig to offer consumers vast personal choice from 500+ varieties. Keurig is a private business owned by an investment group led by JAB Holding Co.

*The number of employees disclosed in this report is the average number of employees for fiscal 2016 and does not include temporary employees or employees on leave.
**OUR NORTH AMERICAN FACILITIES**

- **Production facilities**: 7
- **R&D facilities**: 2

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

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

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

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*In mid-fiscal 2017, we announced we would close our Castroville, Calif., facility. We also no longer operate our Georgia facility as part of our joint venture agreement with Anheuser-Busch InBev related to Keurig KOLD.*
Governance and Management

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

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

JAB’s Board meets regularly with Keurig executives to provide oversight and accountability around sustainability issues, particularly recyclability and coffee sourcing. The daily execution of Keurig’s social and environmental initiatives has been led by Monique Oxender, our Chief Sustainability Officer.

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

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

Employees are trained on the Code when they join the Company and are required to complete an interactive online training and certify annually that they have read and understood the Code. The Code underscores that how we do our work matters and that our personal decisions can have far-reaching consequences for all of our stakeholders.
Our 2016 Sustainability Governance Model

Our governance and operating structure promotes coordination among business functions and enables communication and cooperation as we work to Brew a Better World.

Board of Directors
Regular updates and dialogues

Executive Leadership Team
Provide directional guidance on strategy and ensure business alignment

Crossfunctional Sustainability Team
Drive and guide strategy, policy, and integration
Our Strategy

We are focused on building our brands and profitably growing our business. Our unique business model blends a combination of technology and beverage science. We innovate through a holistic system, designing the beverage pods, the beverage formulations, the brewers, and their components, as well as the manufacturing lines that make the portion pods. In other words, we design an entire system. This, along with our ability to create mutually beneficial partnerships, gives us an advantage in the marketplace.

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

Operating committees for each sustainability practice area meet monthly to align activity with goals across the organization, providing timely updates and recommendations to the organization. Clean water is a cross-cutting issue for all practice areas. Our sustainability strategy focuses on primary efforts for which we are engaging across the value chain: Environmental Responsibility, Strong Supply Chains, and Our People and Communities.
Making Progress Toward Our 2020 Sustainability Targets

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

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

### 2020 Targets

- Engage 1 million people in our supply chains to significantly improve their livelihoods, including water security and climate resilience.
- Source 100% of primary agricultural and manufactured products according to established Keurig Green Mountain responsible sourcing guidelines.
- 100% of K-Cup® pods will be recyclable by the end of 2020.
- Reduce life-cycle greenhouse gas (GHG) emissions of brewed beverages by 25% vs. 2012 baseline.
- Achieve zero waste-to-landfill at our owned and operated manufacturing and distribution facilities.
- Engage 100% of employees to understand our vision and values and present opportunities that allow them to contribute to our targets.
- Balance 100% of the water used in our 2020 brewed beverage volume in all our beverages, ounce for ounce.

### Fiscal 2016 Progress

- 417K+ People engaged to significantly improve their livelihoods.
- 73% Coffee traceable
- 25% Coffee sustainably certified
- First recyclable K-Cup® pods available in 2016. All Canadian K-Cup® pods will be recyclable by the end of 2018.
- Target met! We will develop a new goal per an updated 2015 baseline while continuing to focus on operating efficiency and improved emissions measurement.
- 93% Manufacturing waste diversion rate (up from 88% in 2015).
- 70% of employees engaged in a sustainability program or education initiative.
- 97% The percentage of water we helped restore to people and nature based on the water used in our beverages in fiscal 2016 — a total of 707 million gallons.
Value Chain

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

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

2020 target
100% of K-Cup® pods will be recyclable by the end of 2020.
Materiality Analysis

We conducted our first formal materiality assessment in fiscal year 2012. Because the business and its related sustainability context have evolved, we conducted a refresh of this assessment in fiscal year 2015. The results of this refreshed materiality assessment continue to inform the implementation of our sustainability strategy, including execution against our 2020 targets and the content of this report. Keurig believes our process for defining report content meets the Global Reporting Initiative’s (GRI) principles for defining report content, including stakeholder inclusiveness, sustainability context, materiality, and completeness.

<table>
<thead>
<tr>
<th>MATERIAL ISSUES BY VALUE CHAIN STAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SUPPLY CHAIN</strong></td>
</tr>
<tr>
<td>All Supply Chain</td>
</tr>
<tr>
<td>• Labor conditions</td>
</tr>
<tr>
<td>• Climate change adaptation</td>
</tr>
<tr>
<td>• Community development</td>
</tr>
<tr>
<td>• Transparency</td>
</tr>
<tr>
<td>• Waste management</td>
</tr>
<tr>
<td>• Greenhouse gas (GHG) emissions</td>
</tr>
</tbody>
</table>

| **OPERATIONS**                       |
| Employees                            |
| • Diversity                          |
| • Health and safety                  |
| • Community relations                |
| • Transparency                       |
| • Talent attraction and retention    |
| • Effective corporate culture        |

| **PRODUCT USE/ POST-USE**            |
| All Product Use/ Post-use            |
| • Transparency                       |
| • Consumer health and wellness       |

| **ENVIRONMENTAL RESPONSIBILITY**     |
| STRONG SUPPLY CHAINS                 |
| CLEAN WATER                          |
| OUR PEOPLE AND COMMUNITIES           |

| **Agriculture/ Ingredients**         |
| • Farmer/supplier capacity building |
| • Local food security                |
| • Land rights                        |
| • Biodiversity                       |
| • Soil health                        |
| • Water quality                      |
| • Water availability                 |
| • Certifications                     |
| • Genetically modified organisms (GMOs) |

| **Product Design/ Formulation**      |
| • Sustainable brewer                 |
| • Sustainable packaging              |
| • Sustainable beverage               |
| • Product safety                     |
| • Capacity building on sustainability |

| **Brewer Use/ Beverage Consumption** |
| • Energy consumption                 |
| • Water consumption                  |
| • GHG emissions                      |
| • Packaging waste                    |
| • Brewer end-of-life                 |
| • Nutritional benefits               |
| • Behavior change                    |

| **Brewer/Packaging**                 |
| • Conflict minerals                  |
| • Primary vs. recycled raw materials |
| • Materials of concern               |

| **Product Manufacture**              |
| • Energy use                         |
| • GHG emissions                      |
| • Climate change adaptation          |
| • Waste management                   |
| • Water availability                 |
| • Water quality                      |

| **Data Capture**                     |
| • Consumer privacy                   |
## Fiscal 2016 Data Summary

<table>
<thead>
<tr>
<th>STRONG SUPPLY CHAINS</th>
<th>FISCAL 2014</th>
<th>FISCAL 2015</th>
<th>FISCAL 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coffee Sourcing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total pounds coffee traceable via certification or Keurig’s traceability program</td>
<td>145,644/64%</td>
<td>168,111/68%</td>
<td>148,380/73%</td>
</tr>
<tr>
<td>Coffee sustainably certified</td>
<td>N/A</td>
<td>23%</td>
<td>25%</td>
</tr>
<tr>
<td>Coffee Farmer Engagement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>People engaged to significantly improve their livelihoods</td>
<td>N/A</td>
<td>282,220</td>
<td>417,769</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OUR PEOPLE AND COMMUNITIES</th>
<th>FISCAL 2014</th>
<th>FISCAL 2015</th>
<th>FISCAL 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Injury severity (Days Away Restricted or Transferred, DART) rate</td>
<td>1.95</td>
<td>1.57</td>
<td>1.02</td>
</tr>
<tr>
<td>Incidence frequency (Total Recordable Incidence, TRI) rate</td>
<td>2.6</td>
<td>1.93</td>
<td>1.47</td>
</tr>
<tr>
<td>Occupational fatalities</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Retention and Satisfaction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee retention</td>
<td>90.1%</td>
<td>89.0%</td>
<td>88.0%</td>
</tr>
<tr>
<td>Percentage of employees engaged in a sustainability program or education initiative**</td>
<td>N/A</td>
<td>N/A</td>
<td>70%</td>
</tr>
<tr>
<td>Communities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total hours volunteered</td>
<td>57,755</td>
<td>62,031</td>
<td>56,922</td>
</tr>
<tr>
<td>Employees volunteering (as a percentage of average full-time employees)</td>
<td>51.2%</td>
<td>55.0%</td>
<td>55.2%</td>
</tr>
</tbody>
</table>

* Numbers for DART and TRI for 2014 and 2015 have been adjusted slightly since our last report.

** The employee engagement statistic is a new metric for this year’s report; data not available from prior years. We will track our progress using this metric moving forward.
<table>
<thead>
<tr>
<th>Environmental Responsibility</th>
<th>Waste</th>
<th>Average waste diversion rate for manufacturing facilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greenhouse Gas (GHG) Emissions (short tons in thousands)</td>
<td>Scope 1: Direct emissions</td>
<td>47</td>
</tr>
<tr>
<td></td>
<td>Scope 2: Purchased electricity</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Scope 3: Indirect emissions</td>
<td>90</td>
</tr>
<tr>
<td></td>
<td>Total estimated emissions</td>
<td>136</td>
</tr>
</tbody>
</table>

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

2 Fiscal 2014 Scope 3 data includes energy used in transportation of raw material and finished goods by third-party logistics partners to and from Keurig-owned or leased facilities.

3 Beginning in fiscal 2015, we began tracking a more comprehensive set of data for Scope 3. Our Scope 3 data now includes emissions related to coffee cultivation, warehousing and transportation of raw materials and finished goods by third-party logistics partners to and from Keurig-owned or leased facilities, production of our brewers and packaging materials, the energy consumed when the brewers are used, and emissions related to end-of-life for our products and manufacturing waste. We have not restated prior years according to this new definition.

4 Fiscal 2015 direct, indirect, and estimated emissions have been restated from the prior year’s report to account for an error in data reported.
Collaboration and Engagement

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

Recyclability

• As a member of the Closed Loop Fund, we are investing $5 million over five years to support the development of recycling infrastructure.
• We belong to The Association of Plastic Recyclers, which includes recyclers, brand owners, and plastics converters seeking to solve problems and understand issues related to plastics recycling.
• We belong to the Sustainable Packaging Coalition and contribute to ongoing work with this organization and other companies on packaging sustainability-related issues, such as product end-of-life.
• We recently joined the Circular Economy 100 (CE100), a program of the Ellen MacArthur Foundation, which brings together various stakeholders to find opportunities to advance the circular economy.
• In 2016, we hosted our second annual recycling roundtable for small item recovery.

Supply Chains

• We are members of the Sustainable Food Lab where we engage with peer companies to speed progress toward a sustainable mainstream food system worldwide.
• Keurig is a founding member of the Coalition for Coffee Communities (formerly Coffeelands Food Security Coalition), a group of six member companies that seek to strengthen coffee communities through the power of collaboration.
• In 2016, we joined the Electronic Industry Citizenship Coalition (EICC) to support the implementation of our Responsible Sourcing program in our manufacturing supply chain. Through our EICC membership, we are also part of the Conflict-Free Sourcing Initiative.
• We are participating in a unique industry initiative called the Sustainable Coffee Challenge, which is a call to action to make coffee the first sustainable agricultural product in the world. Managed by Conservation International, the initiative will convene industry, conservation, and agricultural development partners to agree to a common framework for sustainability in the coffee sector, with the ultimate aim of driving demand for sustainably produced coffee.

Keurig welcomes feedback from our partners and other stakeholders to help us gain valuable insight from those both within and outside our Company. For more on our engagement with stakeholders, please refer to our Stakeholder Engagement table on our website.
Awards and Recognitions

Keurig is often recognized with sustainability, innovation, and brand awards, including those highlighted below:

- America’s Greenest Companies for Green Rankings 2016 (#17, second consecutive year in the top 20) — Newsweek
- Corporate Equity Index 2016, score of 95/100 (up from 85 in 2015) — Human Rights Campaign
- 2017 US RepTrak® 100 ranking — Reputation Institute’s annual list of the 100 most reputable companies in the United States (#55)
- Breakthrough Process Award, Materials Recovery Facility (MRF) Flow Study Methodology — 2017 Sustainable Packaging Coalition Innovator Awards
- 2016 Brand of the Year in the single serve coffee maker category (four years in a row) — 2016 Harris Poll EquiTrend® Equity Study.

About This Report

This report covers fiscal 2016, from September 27, 2015, to September 24, 2016.

Our most recent report was published in June 2016, covering our 2015 fiscal year. An executive summary version of this report is also available for download on our website.

This report is aligned with the Global Reporting Initiative’s (GRI) G4 Sustainability Guidelines and the Food Processing Sector Supplement at the core level. It also serves as our annual Communication on Progress to the United Nations Global Compact (UNGC), providing an overview of our implementation of the 10 principles of the UNGC and our support of broad UN development goals. Please see the reports and disclosures page of our website for more information.

The data cited refer to fiscal 2016 or the last day of fiscal 2016 unless otherwise indicated. Data are for our wholly owned business units. In addition, we provide selected data and other information about our supply chain activities globally. For all references to an average or a percentage of employees participating in certain activities, we use an average number of full-time employees during the fiscal year as the denominator in the calculation. We calculate the average number of full-time employees by dividing the sum of the full-time employees at the beginning of the fiscal year and at the end of the fiscal year by two. This differs from the approach taken in our Annual Reports, which utilize total year-end number of employees.

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

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

We welcome your feedback on this report at sustainability@keurig.com.
Environmental Responsibility
One of our core values is Brewing a Better World. With that as our aim, we work to design, source, and manufacture products that benefit the communities we touch while minimizing our environmental impact. We offer products that help consumers make smart choices and conserve resources.

Keurig Green Mountain develops and sells Keurig® brewers and coffee, tea, and other specialty beverage pods so consumers can make just the drink they need, right when they need it. We also sell traditional whole bean and ground coffee. To demonstrate our commitment to sustainable product innovation and manufacturing, we set three bold targets to achieve by the end of 2020. The actions we took in fiscal 2016 to make progress toward these targets are described in detail throughout this section of our report.

In fiscal 2016, our primary emphasis was on recyclability as we focus our resources on making 100% of K-Cup® pods recyclable by the end of 2020. We are using what we’ve learned about recyclable pods and the recycling infrastructure to enhance product development and design processes throughout our portfolio. Integrating product stewardship principles related to material choice and Design for Recyclability at the early stages of development will help minimize the environmental impact of our products while maximizing value for our consumers.

### 2020 Targets

- **100% of K-Cup® pods will be recyclable by the end of 2020.**
- **Reduce life-cycle greenhouse gas (GHG) emissions of brewed beverages by 25% versus a 2012 baseline.**
- **Achieve zero waste-to-landfill at our owned and operated manufacturing and distribution facilities.**
Recyclable K-Cup® Pods

Initial varieties of recyclable Keurig® K-Cup® pods are available for purchase from Keurig.com. Using what we learned from our first limited release, we are planning for the transition of the rest of our K-Cup® pod product portfolio. We will continue to ramp up production over time and make the recyclable pods more widely available until we reach 100% by the end of 2020.

Recyclable K-Cup® pods, the first of which became available in 2016, are made from polypropylene #5 plastic and are designed to work in all Keurig® brewers. Consumers can easily identify the recyclable pods through messaging and recycling instructions on the external packaging.

Recyclable K-Cup® Pod Timeline

2016
First recyclable K-Cup® pods available

2017
Availability expands in Canada

End of 2018
Target for 100% of K-Cup® pods to be recyclable in Canada; production and availability increases in the U.S.

2019
More recyclable K-Cup® pods available in the U.S.

End of 2020
All K-Cup® pods are recyclable
Converting more than 100 packaging lines across our seven manufacturing facilities in North America to produce the new pods is a complex logistical undertaking. We are converting our facilities in phases as the polypropylene cups become more readily available from our suppliers and our production escalates. With the addition of our recyclable K-Cup® pods, our consumers can now purchase dozens of Keurig® varieties made with recyclable cups, including all Vue®, K-Carafe®, and K-Mug™ beverages.

Our goal has always been to do more than simply produce a K-Cup® pod that’s recyclable in theory. We also want our pods to be effectively recycled. Because recyclability is a complex issue, we are thinking creatively about solutions and collaborating with recyclers and industry experts. We are tackling the challenges from three different angles: designing for recyclability, improving recycling systems, and driving continued innovation.

During fiscal 2016, we made a lot of progress toward improving recycling systems, completing a second round of testing with recyclers to evaluate the capture rates of our recyclable K-Cup® pods. We also deepened partnerships with industry organizations and nonprofits — working together to support end-market development and increase the recovery of all polypropylene plastic containers, not just our pods.

“As we expand our ability to produce recyclable pods, we have a unique opportunity to transition all of Canada to the recyclable format by the end of 2018. It will be a powerful learning experience and will keep us on track to successfully transition all pods in North America by the end of 2020.”

— MONIQUE OXENDER, Chief Sustainability Officer, Keurig Green Mountain
BY THE END OF 2020, 100% OF K-CUP® PODS WILL BE RECYCLABLE.

Designing and producing a recyclable K-Cup® pod is only one piece of the equation. We also want to be certain that the majority of our consumers can effectively recycle their brewed K-Cup® pods. That's why we are engaging with other businesses, recyclers, and industry organizations to understand the whole system and contribute to solutions beyond just the K-Cup® pod.

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**Designing for Recyclability**

- Using polypropylene #5 plastic for recyclable K-Cup® pods — a material in high demand and accepted for recycling in the majority of communities in the United States and Canada
- Converting more than 100 packaging lines across seven manufacturing facilities to produce the new pods
- Integrating environmental impact criteria into new product development

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**Improving Recycling Systems**

- Investing more than $5 million in recycling infrastructure and education
- Collaborating with recyclers to learn more about how plastics, including recyclable K-Cup® pods, flow through material recovery facilities.
- Partnering to understand supply and demand for recovered polypropylene #5 plastic
- Encouraging the use of recovered polypropylene #5 plastic in new, durable products

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**Driving Continued Innovation**

- Exploring material and design innovations, including compostable options
- Continuing to promote and improve recycling while it remains the most readily available option for most consumers
Designing for Recyclability

The product design piece of the puzzle is the one most within our direct control. The recyclability and recovery testing we conducted confirmed that our pods are big enough to be recovered and provided several additional insights, including the following:

- Filter paper that is attached to the cup does not prevent recovery or recycling.
- Polypropylene #5 plastic — a material often used in containers for common household food items, such as yogurt and butter — is a highly recyclable and desirable material. This is important because as items travel through the recycling stream, those made from higher-value materials are most likely to move on to the next step in the process. The cups for our recyclable K-Cup® pods are made from #5 plastic.
- While not a contamination issue, recyclers and companies that buy and convert recyclable products and packaging prefer that consumers peel off the foil lid and empty the coffee grounds from the cup prior to curbside collection.

We’ve taken these findings into account in our K-Cup® pod design, but there is more we can do to increase recovery rates for polypropylene items. That’s why we’re working with the recycling community and other partners to develop a robust recycling infrastructure that accepts #5 plastics in even more communities and that can consistently capture all polypropylene containers, including our beverage pods.
Improving Recycling Systems

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

Recycling Infrastructure

Keurig has done extensive work to understand the recycling infrastructure in North America, evaluate challenges, and test whether our pods can be effectively recycled. We’ve concluded that our recyclable K-Cup® pods are made of high-value material and can be effectively recovered at material recovery facilities (MRFs). In fact, our recyclable pods have the same recovery potential as single-serve yogurt cups. Our focus now is on gaining more insight, so we can track developments in the industry and understand how changes to packaging or MRF equipment and processes can affect plastics sorting and recovery.

Once consumers use our products, they must have easy access to a recycling facility. Currently, communities have varying degrees of access to recycling, and the experience can be confusing. There are more than 560 MRFs in the United States and Canada,1 and the equipment those facilities use is not standardized. Most equipment was built to recover bottles and cans. As manufacturers innovate, recyclers have an opportunity to adapt to recover the new and varied products and packaging for the value of the materials they contain.

We have been conducting tests to understand how our K-Cup® pods travel through the varied equipment at recycling facilities. So far, our testing has shown it is possible to successfully recover the majority of polypropylene K-Cup® pods submitted for recycling. In addition to informing our product development process, the testing protocol we’ve developed has the potential to transform the way companies and recyclers understand the capture of various recyclable items at MRFs, benefitting plastics recovery in North America more broadly. We share what we learn with others across industries through both the Sustainable Packaging Coalition and the Association of Plastic Recyclers to promote collective action in this area.

Our employees are a driving force behind our recyclable K-Cup® pods. From design to production, employees across our Company are contributing every step of the way. Watch a video of our production employees talking about what the recyclable pods mean to them.

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Developing and producing recyclable K-Cup® pods has taught us a lot about recycling. Understanding and collaborating with others to improve recycling systems is a key component in our recyclable K-Cup® pod strategy.

**Increasing** recycling access by investing more than $1 million each year in recycling systems and education.

**Transforming** the understanding of how products and packaging are recovered for recycling with award-winning testing protocol.

**Promoting** use of recycled plastic in new, durable products, such as storage bins and outdoor furniture.

**A Journey Through the Recycling Stream**

1. Curbside recycling: First stop — consumers place their empty, recyclable K-Cup® pods and other recyclable items in their curbside bins.
2. Sorting process: The pods join other recyclables at material recovery facilities where they are sorted according to material type.
3. Packaged into bales: Recovered items are packaged into large bales for transportation along with other items made from similar material.
4. Converted to recycled material: Bales arrive at companies that sort items further and convert them to flakes and pellets of recycled material.
5. Made into new products: Recycled materials have an opportunity to be transformed into other useful consumer goods and durables.
WHAT HAPPENS WHEN YOU RECYCLE A K-CUP® POD?

For more than a decade, we were told that K-Cup® pods were simply too small to be reliably sorted by the facilities that separate and prepare recyclables for secondary uses. And if they couldn’t be sorted, they couldn’t be recovered for recycling. This was a significant perceived barrier to our goal of introducing a pod that could be effectively recycled.

To test the conventional wisdom for ourselves, we began running trials at material recovery facilities (known as MRFs). In a typical scenario, brewed K-Cup® pods arrive at MRFs mixed in with all the other recyclables that consumers put in their single-stream recycling bins (including paper, plastic, and metal). The MRFs sort through the items that arrive, separating them into bundles of materials that will ultimately get turned into new products. Our first round of tests, conducted in 2015 at three large U.S. MRFs, showed us that our pods are actually not too small to be recovered, and yielded valuable insights that helped us design and produce cups that can be effectively recycled (see Designing for Recyclability). You can learn more about these tests in our Fiscal 2015 Sustainability Report.

In 2016 and early 2017, we followed up with six more tests: three in the United States and three in Canada. For these tests, we used an innovative, award-winning testing methodology, which we developed to gain greater visibility into how items flow through MRFs and evaluate how successfully they are sorted and ultimately captured for further processing and recycling of the material. This unique methodology reflects the actual movement of recyclables through MRFs rather than relying on estimates from manual sorting. Items are tagged with radio-frequency identification (RFID) chips, which provide 100% traceability during the sorting process with minimal disruption, allowing the MRFs to operate under normal conditions while testing is being completed.

Innovative Testing

The testing protocol we have been using since 2016 earned us an Innovator Award for Breakthrough Process from the Sustainable Packaging Coalition. The testing we developed allows for 100% traceability of any package, no matter the size, through any system and without disruption to the normal operations of the MRF where the tests are conducted. It also delivers accurate, real-time data and opens up new possibilities for how consumer packaged goods companies and recycling facilities collaborate to improve material recovery and diversion of waste from landfills.
Using regional sales data and factoring in the number of households the MRFs serve, we calculated how many K-Cup® pods we should feed into the recycling stream every minute to replicate a true-to-life scenario. We used only pods that were made from polypropylene #5 plastic. Some of the pods were brewed, with the lids peeled off and the grounds emptied out (the process we recommend our consumers follow when recycling our pods). We also tested pods that were brewed, but without the lids peeled and with the grounds still inside. Additionally, we crushed some of the pods just slightly to replicate the misshaping that typically occurs during the collection and sorting process — an effect that we found is actually beneficial at times since the crushed pods bounce around less.

We have now conducted tests at a wide range of facilities that employ a variety of sorting technology. Regardless of the equipment a MRF uses, the testing we’ve done shows that our K-Cup® pods may have a greater chance of being recovered and stronger economic value than previously thought. During the tests, an average of 90% of empty K-Cup® pods (made from polypropylene plastic) completed the journey through the sorting process — being properly separated from paper, cardboard, and glass items — and ended up on the main belt designated for plastic containers. This is important, because when the pods make it to this container line, there is a greater potential they will be recovered for recycling into new items. We will continue to run tests at recovery facilities through 2017, expanding our testing to include other plastic items in an effort to improve plastics recovery across North America.

The evolution of our testing methodology is the result of collaboration with recycling industry partners across North America. Through this research and collaboration, we’re working to overcome barriers to recycling and ensure that polypropylene plastic items, such as yogurt containers, fruit cups, and our recyclable K-Cup® pods, will consistently make it through the recycling stream so they can be transformed into new, everyday items.

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

— SCOTT SAUNDERS, General Manager, KW Plastics
Keurig is one of several consumer goods companies and retailers that signed on in 2014 to the Closed Loop Fund, an impact investment fund that makes zero-interest loans to cities and low-interest loans to recycling companies for recycling infrastructure. Keurig is investing $5 million over five years and sits on the Fund’s Advisory Board as an initial investor. The Fund plans to invest $100 million in the U.S. recycling infrastructure by 2025. These investments are designed to help remove obstacles and expand recycling by attracting more investment to the industry, increasing access to recycling, and helping to scale up solutions that improve the profitability of recycling.

During its first few years of operation, the Fund has engaged at multiple points in the recycling stream across the United States. For instance, in Scott County, Iowa, the Fund helped support a change from dual- to single-stream recycling, the rollout of larger curbside recycling carts, the redesign of a MRF, and an education campaign for the local community. Participation in the program and the tonnage collected has been increasing, and the recycling program is now expected to contribute positively to the Waste Commission’s budget. As another example, an increase in residential recycling was overwhelming the recycling facility in Lakeshore, Ill., creating an expense for the city. With help from the Fund, Lakeshore Recycling Systems invested in an upgrade for an existing MRF, increasing its capacity from 20 tons a day to 20 tons an hour.

As of December 2016, investments from the Closed Loop Fund had diverted more than 100,000 tons from landfills (including more than 8,700 tons of polypropylene plastic), avoiding more than 220,000 tons of GHG emissions and benefiting more than 1 million households.

To further support recycling, we are also a member of The Recycling Partnership — a national nonprofit transforming recycling in towns all across America. The Partnership supports the efforts of community recycling programs to be more accessible and more efficient. Its work engages the full recycling supply chain: from local governments to haulers, MRFs, converters, and, ultimately, end markets. The Partnership gives us an opportunity to support recycling at the local level, which will be critical to our ability to help communities understand and communicate K-Cup® pod recycling instructions.
The Partnership has supported more than 250 communities and established several statewide partnerships to drive the implementation of best practices for recycling operations and education. As of December 2016, it had reached 9.4 million households, placing 224,900 recycling bins for residents.

By the end of 2017, The Partnership expects to have diverted more than 100 million pounds of packaging from landfills, avoiding more than 180,000 tons of GHG emissions.

**End-Market Development**

Once recyclable items leave a MRF, they are sold to companies that either sort the materials further or convert the material to flakes and pellets that can be made into new products. Increased demand for recyclable materials, such as polypropylene #5 plastic, strengthens the incentive for these companies to find solutions that recover more used plastic. The final piece of the recycling puzzle is the development of a robust end market for the material that K-Cup® pods are made from so they can be transformed into other useful consumer goods. We are exploring the possibility of incorporating post-consumer recycled plastic into our own products in the future. In addition, we partner with others to understand and advance the end market.

We are working with the Association of Plastic Recyclers and the Sustainable Packaging Coalition to evaluate how our efforts to understand the capture rate of polypropylene, including recyclable K-Cup® pods, can increase the overall plastics recovery rate and improve the economics of plastic recycling. Establishing the financial opportunity of recovering more polypropylene will be a great incentive to recyclers to find innovative ways to capture those items and the associated revenue.
“I’ve been in this business a long time. I give Keurig a lot of credit for the way they are proceeding here. The company has invested incredible amounts of time and money to work with the industry to figure out how to separate their product so it can be recycled. Some people think this can be done tomorrow. That’s absolutely not true. Plastics recycling is an incredibly complex technical issue. Keurig is by no means the only company with small plastic products. It’s not just up to them to solve it. There is a role for equipment manufacturers, the municipal recycling facilities, and the people who collect and separate recyclables. We all can play our part. There are things Keurig can do. And they’re trying to do them. There is a market for the polypropylene plastic Keurig will be switching to for its K-Cup® pods. Companies want more of that plastic to make containers for kitchen, laundry, and bathroom products. The market for polypropylene is growing exponentially, and it’s on a path to becoming one of the most recycled plastics in the marketplace.”

— STEVE ALEXANDER, Executive Director, Association of Plastic Recyclers

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

Most consumers have access to recycling, but less than 1% of communities in the United States\(^2\) and about 1% of communities in Canada\(^3\) have access to the right type of composting facility to properly degrade most certified compostable pods. Additionally, while recyclable K-Cup® pods protect the quality of our coffee, we have tested numerous compostable pods on the market, but haven’t found one that meets our quality standards.

The infrastructure for recycling is currently more robust, which is why we have selected a pod material that has a high value to recyclers and strong potential to find a second life as another product. However, our innovation continues. As we continue working to catalyze recycling infrastructure advancements, we are also carefully monitoring the science of bioplastics and community access to composting as part of our ongoing effort to responsibly advance the sustainability of our pod design.


Addressing Product Waste

Life-cycle analysis has shown that the end-of-life stage is a small contributor to the overall environmental impact of our products, but our consumers and partners care about product waste, and so do we. With that in mind, we have developed a number of products and programs to help reduce end-of-life waste, and we will continue to explore solutions to meet our consumers’ interests and our own desire for more sustainable products.

We offer various programs for responsible disposal of our products, including our K-Cup® pods and brewers. Our recyclable K-Cup®, Vue®, K-Carafe®, and K-Mug™ pods can be recycled today in many community curbside programs, and our K-Cup® pod take-back programs are a convenient solution for customers in workplace settings.

Further development of municipal recycling infrastructure is key to successful recycling in North America. To that end, we partner with recyclers and other organizations that work to advance and promote recycling to support infrastructure development.

Recycling Our Beverage Pods

The cup portion of our recyclable K-Cup® pods is made from polypropylene #5 plastic (the material we are converting all K-Cup® pods to by the end of 2020). Community recycling programs for polypropylene #5 plastic are available for more than 70% of the U.S. population4 and for 93% of the Canadian population.5 The cup portion of our Vue®, K-Carafe®, and K-Mug™ pods is also made from #5 plastic. Consumers in the United States can find out whether #5 plastic recycling is available in their areas by using the search engine available at Earth911®.

The cup portion of our original K-Cup® pods is considered a #7 item for recycling. These items are accepted in about half of community recycling programs in the United States and a majority of community programs in Canada. Consumers using the #7 pods should check locally to see if #7 items are accepted in their community recycling programs. If so, consumers can peel the foil lid off their used K-Cup® pods, empty them, and recycle the empty cups.

Additionally, consumers who live locally can drop off their used K-Cup® pods at our retail store at the Burlington Mall in Burlington, Mass., and our Visitor Center and Café in Waterbury, Vt.

K-Cup® Pod Recovery for U.S. Business Customers

Our Grounds to Grow On™ program allows businesses in the United States to collect brewed K-Cup® pods and return them to our disposal partner for composting and

<table>
<thead>
<tr>
<th>GROUNDS TO GROW ON™ PROGRAM</th>
<th>Fiscal 2016</th>
<th>Program to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Used K-Cup® pods recovered</td>
<td>7.1M</td>
<td>34.6M</td>
</tr>
<tr>
<td>Pounds of coffee grounds composted</td>
<td>165K</td>
<td>761K</td>
</tr>
<tr>
<td>Kilowatt hours generated</td>
<td>270</td>
<td>1,245</td>
</tr>
</tbody>
</table>

waste-to-energy processing. The program is available throughout the United States, except for Alaska and Hawaii.

Through the Grounds to Grow On™ program, used K-Cup® pods are collected and sent to a centralized processing facility where the coffee grounds are separated from the rest of the pod materials. The grounds are composted at a nearby certified-organic tomato farm, while the other packaging materials are sent to a waste-to-energy facility.

We are continually looking for ways to improve our take-back programs, making them as convenient as possible for customers while minimizing environmental impact. As part of our commitment to continuous improvement, in 2017, we will begin recycling the plastic cups and aluminum lids of K-Cup® pods returned through the Grounds to Grow On™ program.

K-Cup® Pod Recovery for Canadian Business Customers

Through our Pods to Power program, Canadian business customers who receive their K-Cup® pods through our coffee service program can collect their used pods for distributors to pick up on a regular basis. Those K-Cup® pods are then sent to waste-to-energy facilities and cement kilns where they can be used as alternative fuel sources. At the cement kilns, any remaining ash is incorporated into the cement material. As of the end of fiscal 2016, 19% of Van Houtte Coffee Services customers were participating in the program.

My K-Cup® Reusable Coffee Filter

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

KEURIG® KOLD™ PRODUCTS

During fiscal 2016, we learned through consumer feedback that the initial execution of our KOLD™ system did not fully deliver on their expectations. Therefore, we made the decision to discontinue our Keurig® KOLD™ product line, including all KOLD™ drinkmakers and KOLD™ beverage pods. We offered consumers who had bought a KOLD™ drinkmaker a full refund for the purchase price of the appliance. The appliances consumers returned through this program were recycled through our U.S. recycling partner who is certified by Sustainable Electronics Recycling International.

Brewer Returns Program

We take steps to ensure our Keurig® brewers are manufactured to high quality standards to minimize returned products and maximize their lifespan. In addition, through our Brewer Returns program, we work with various retail partners to take back any returned Keurig® brewers. The brewers are evaluated for functionality and are either refurbished for internal use (such as marketing demonstrations and in-store displays) or are sent to recycling companies to be disassembled. In fiscal 2016, we introduced in-store brewer recycling drop-off for our Canadian consumers at Staples Canada locations.

Our recycling partners in the United States are certified by Sustainable Electronics Recycling International. All the recyclers we use have a zero waste-to-landfill policy, breaking down all components of the brewers for reuse or recycling. In fiscal 2016, we reused approximately 32,700 brewers for marketing purposes and recycled approximately 545,000 brewers for a total of over 19 million pounds of material diverted from landfills.
Understanding Impacts in Our Value Chain

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

Explore our coffee value chain.

GHG and Water Footprints of Brewed Beverages

In fiscal 2014, we conducted comprehensive GHG and water footprints of our coffee value chain — from cultivation of coffee beans through brewer use and product end-of-life — to more fully understand our impact and identify areas where we can focus our GHG reduction efforts and stakeholder engagement. These footprinting exercises represented an important first step toward meeting our 2020 target of reducing life-cycle GHG emissions of brewed beverages and supporting our holistic water stewardship framework. In fiscal 2017, we undertook an update of our GHG footprint.

GHG Footprint Results

2020 Target: Reduce life-cycle GHG emissions of brewed beverages by 25% versus a 2012 baseline.

Progress: Target met! We will develop a new goal per an updated 2015 baseline while continuing to focus on operating efficiency and improved emissions measurement.

Our updated GHG footprint reflects changes in our business and refinements we’ve made to our calculation methodologies. The updated footprint showed that our absolute emissions decreased compared with fiscal 2012 and that we met our 2020 GHG reduction target in fiscal 2015. We are pleased to have achieved the target ahead of schedule, through a combination of energy management and sales growth. These two factors combined lowered the GHG emissions per brewed beverage faster than we had anticipated.

The previous GHG reduction target we set for ourselves helped us more fully understand the dynamics between our emissions and our business performance. We will build on that knowledge, using fiscal 2015 data as the baseline footprint for a new goal. Today, we are able to better identify areas in our value chain that represent the greatest opportunity for emissions reductions, gauge our ability to influence those reductions, and develop a holistic strategy to address them. In the meantime, we remain focused on energy efficiency. We plan to measure our footprint on an annual basis going forward.
Our GHG footprint details the impacts of our brewed beverages. Brewer energy use (in homes and workplaces) accounts for the largest portion of the footprint, and our own operations (including roasting coffee, packaging lines, and offices) represent a small portion of the footprint. Even though our production levels have increased, we held emissions from our operations relatively stable between the 2012 and 2015 baseline footprints.

As we continue our transition to recyclable K-Cup® pods, the impacts of our GHG footprint will shift. For instance, our recyclable K-Cup® pods, made from polypropylene #5 plastic, have a 27% lower GHG emissions factor than our original pods. Once we convert all the cups for our K-Cup® pods to polypropylene, we expect to see a 4% reduction in our overall GHG footprint.

**Water Footprint Results**

Our water footprint indicates that we are not a large direct consumer of water for our brewers and coffee products. The Keurig® brewing system uses “local water” from the tap and only the amount of water that will be consumed, thus enabling consumers to conserve water as part of their daily routines. Portion-specific brewing helps consumers avoid wasted coffee (and water) from the bottom of the pot. When considering the water required to grow, process, and brew coffee beans, brewing coffee with the Keurig® platform could save an estimated 6.6 gallons\(^6\) of embedded water (or about 105 cups) per 8-ounce cup, compared with brewing a full pot of coffee (assuming 15% wasted coffee per brewed pot).\(^7\) The majority of the water that is saved is associated with the large amounts of rainwater needed for coffee cultivation.

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

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\(^7\) Keurig Research Study on Waste Coffee, February 2016.
The findings did show, however, that threats to water quality and availability present a risk to the quality and availability of our beverage products, as well as to our suppliers’ livelihoods. Climate change, threats to biodiversity, flooding, and water access are increasing concerns in coffee-growing regions.

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

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

- **Adaptation:** The greatest climate change risk we face relates to the impact on our agricultural products and the communities in which they are produced. We provide relevant training to farmers, integrate adaptation into our efforts to improve livelihoods in our farming communities, and invest in research to develop coffee plants better suited to changing climate and weather conditions. Learn more.

- **Mitigation:** Reducing energy consumption and GHG emissions throughout our value chain benefits our bottom line and contributes to the shared effort to reduce climate change risks. We work to fully understand emissions across our value chain so we can lower GHG emissions where the opportunities for reduction are greatest. Learn more.

- **Engagement:** Working collaboratively with others is the only way to have significant and lasting impact on climate change. We engage with governments, other companies, and nongovernmental organizations to advance efforts in this area, and we communicate openly with stakeholders about our progress and challenges. Learn more.

**CORPORATE GREEN AND BLUE WATER FOOTPRINT**

<table>
<thead>
<tr>
<th>Category</th>
<th>Green</th>
<th>Blue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coffee Cultivation and Processing</td>
<td>99.5%</td>
<td>57.0%</td>
</tr>
<tr>
<td>Operations</td>
<td>0.0%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Product Packaging</td>
<td>0.5%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Distribution</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Brewer Supply Chain</td>
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<td>7.6%</td>
</tr>
<tr>
<td>Brewer Energy Use</td>
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</tr>
<tr>
<td>Brewing Water</td>
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<td>11.8%</td>
</tr>
<tr>
<td>End-of-Life</td>
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<td>0.0%</td>
</tr>
</tbody>
</table>

* Percentages do not total 100% due to rounding. Footprint is based on fiscal 2012 data.

Water is also essential to consumers who use our brewers to make beverages. Great beverages start with clean water. Through the work we have been doing to reach our water balance target, we are investing in projects that will help to [improve water quality in several key locations in North America](#).
Life-Cycle Assessments

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

K-Cup® Pods

A few years ago, we conducted an LCA of our coffee K-Cup® pods, evaluating them across all stages of their life cycle, from cultivation of coffee beans through end-of-life. We estimated the environmental impacts, including global warming potential (GHG emissions) and primary energy demand.8

Through this 2012 analysis, we learned that the disposal of the product packaging after use of a K-Cup® pod represents a relatively small portion of the total environmental impact. Significant impacts occur in the cultivation of coffee beans, use of brewing systems, and the material used in product packaging. We also learned that, compared with other coffee systems9 that brew a full pot of coffee, the Keurig® brewing system uses less energy. We are in the process of completing an updated K-Cup® pod LCA, which will incorporate the new data and assumptions we used in our updated GHG footprint, shown on pg. 35.

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

9 For this study, we compared our brewers against top competitors. We compared our Away-From-Home brewer with similar models from BUNN and FETCO, and we compared our At-Home brewer with Mr. Coffee DW13.
On average, when compared with batch brewers, consumers waste less brewed coffee when they use a single serve Keurig® brewer than when they brew a full pot of coffee. Typically, 15% of a pot of coffee is wasted.10

We will continue to evaluate the life-cycle impacts of our K-Cup® pods and conduct additional LCAs as we move forward with updated product designs.

Product Quality and Safety

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

Keurig® Brewers

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

Beverages

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

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

We use the Specialty Coffee Association of America’s “cupping score sheet” to tally up scores based on a host of criteria: fragrance/aroma, flavor, acidity, body, aftertaste, balance, uniformity, and sweetness, among others. Each of our cuppers can taste upwards of 3,000 samples of coffee a year. Samples evaluated by our team may also be tested by the importer, the exporter, and the cooperative or farm of origin.

Our Operations

We prioritize responsible management of our operations as one aspect of our work to create more sustainable products. We strive to use resources efficiently and reduce our environmental impacts by focusing on energy use, GHG emissions, and waste diversion. Because coffee processing is a relatively dry process, we do not use a lot of water in our operations. However, we know that water is a critical resource of importance to our stakeholders and with significant impacts in our value chain, especially for coffee cultivation. Therefore, we measure and report our water use with an aim to manage it efficiently.

In 2014, we completed our first comprehensive GHG and water footprints of our value chain related to the creation and use of our coffee pods. These footprints help us to more fully understand the impact of our products and to identify areas for improvement. We have since updated our GHG footprint and will continue measuring it on an annual basis moving forward. The analyses confirm that our operations represent a relatively small portion of our overall GHG and water footprints (4% of our GHG footprint and less than 1% of our blue water11 footprint).

GHG Emissions and Energy Use

Our operational GHG emissions primarily result from fuel used in our roasting operations and the fuel used for our Canadian vehicle fleet. Our greatest use of electricity is in our K-Cup® pod packaging operations. Beyond the benefits to our bottom line, reducing our fuel use wherever possible also reduces GHG emissions and our Company’s contribution to climate change. Learn more about our position on climate change and our Climate Change Policy.

In 2014, we began to adjust the scope and manner of estimating our Scope 3 emissions to better align with the activities identified in our GHG footprinting exercises. This helps us to understand and address our total emissions more comprehensively and helps us to be more transparent with how we report our impact. Since fiscal 2015, we have been defining Scope 3 as the emissions related to coffee cultivation, warehousing, and transportation of raw materials and finished goods by third-party logistics partners to and from Keurig-owned or leased facilities; production of our brewers and packaging materials; the energy consumed when the brewers are used; and emissions related to end-of-life for our products and manufacturing waste.

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

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11 Blue Water: surface or groundwater consumed.
Due to changes in our business, our total GHG emissions rose in fiscal 2016 compared with fiscal 2015. Our Scope 1 emissions fell by 7% during the same timeframe. We purchase renewable electricity for our direct operations, including manufacturing and office facilities. In 2016, we purchased 104 megawatt hours of wind energy. As a result, we report zero Scope 2 emissions in line with guidance from the U.S. Environmental Protection Agency (EPA).

### Managing Energy Use

We work to manage operational energy use and increase energy efficiency. To that end, we are establishing an infrastructure that allows us to track the energy use of the various operations within our manufacturing facilities — such as roasting, processing, and packaging — and set actionable goals.

The ability to report the energy use of individual work processes gives employees running the equipment more visibility into how these processes and their individual decisions affect energy usage. Monitoring energy use in this way also provides data we can use to investigate energy efficiency opportunities across our manufacturing sites. We will continue to install sub-meters and other related infrastructure to help us manage energy use.

In fiscal 2016, our goal was to reduce the fuel consumption per pound of coffee roasted at our U.S. manufacturing sites by 2% compared with the prior year. We fell short of this goal, with a total reduction of 1.6% therms per pound of coffee roasted, on average, across all our manufacturing sites. Although we didn’t meet our goal, we still made positive gains, which we attribute to successfully reducing downtime between roasts and improving idling and shutdown practices for equipment. Since the beginning of the sub-metering project in 2014, we have reduced our annual fuel consumption per pound of coffee roasted by 23%.

Progress against metrics for fuel consumption per pound is calculated and reviewed with senior leadership on a monthly basis for all roasting sites. In 2016, two sites also began including energy efficiency metrics for roasting in their daily management systems. Through this process,

### GHG EMISSIONS (SHORT TONS IN THOUSANDS)

<table>
<thead>
<tr>
<th></th>
<th>FISCAL 2014</th>
<th>FISCAL 2015</th>
<th>FISCAL 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1: Direct emissions</td>
<td>47</td>
<td>46</td>
<td>43</td>
</tr>
<tr>
<td>Scope 2: Purchased electricity</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Scope 3: Indirect emissions</td>
<td>90**</td>
<td>983***</td>
<td>1,030***</td>
</tr>
<tr>
<td>Total estimated emissions</td>
<td>137</td>
<td>1,029***</td>
<td>1,073</td>
</tr>
</tbody>
</table>

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

** Fiscal 2014 Scope 3 data includes energy used in transportation of raw material and finished goods by third-party logistics partners to and from Keurig-owned or leased facilities.

*** Beginning in fiscal 2015, we began tracking a more comprehensive set of data for Scope 3. Our Scope 3 data now includes emissions related to coffee cultivation, warehousing, and transportation of raw materials and finished goods by third-party logistics partners to and from Keurig-owned or leased facilities; production of our brewers and packaging materials; the energy consumed when the brewers are used; and emissions related to end-of-life for our products and manufacturing waste. We have not restated prior years according to this new definition.

**** Fiscal 2015 direct, indirect, and estimated emissions have been restated from the prior year’s report to account for an error in data reported.
those responsible for managing and achieving our fuel consumption goals monitor roasting efficiency relative to long-term targets on a daily basis. As a result, they can follow-up with timely corrective action to address potential shortfalls. We intend to expand this infrastructure and implement similar management practices for our packaging lines in the future.

The energy use of our facilities can vary greatly, driven by sales and other factors beyond the energy efficiency of the equipment and operations. During fiscal 2016, our total Scope 1 and Scope 2 energy use fell by about 6%.

<table>
<thead>
<tr>
<th>SITE</th>
<th>YEAR-OVER-YEAR CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Castroville, Calif.</td>
<td>-3.78%</td>
</tr>
<tr>
<td>Essex, Vt.</td>
<td>-3.31%</td>
</tr>
<tr>
<td>Knoxville, Tenn.</td>
<td>1.38%</td>
</tr>
<tr>
<td>Sumner, Wash.</td>
<td>-26.89%</td>
</tr>
<tr>
<td>Waterbury, Vt.</td>
<td>75.46%</td>
</tr>
<tr>
<td>Windsor, Va.</td>
<td>1.48%</td>
</tr>
<tr>
<td>Average reduction for U.S. manufacturing sites</td>
<td>-1.60%</td>
</tr>
</tbody>
</table>

For our direct energy usage, we track and report absolute energy use as well as normalized energy use. We normalize our energy use by net sales as a way to account for shifts in volume and productivity. This aims to provide an objective comparison of the energy performance of our facilities and operations.

Our Canadian Fleet

Our Canadian operations own and operate a fleet of vehicles, which makes reducing the environmental impacts of transportation a particular priority for that region. There are three primary ways we manage the environmental impact of our Canadian fleet:

- **Better driving habits:** All of our vehicles are outfitted with GPS devices that give drivers and their supervisors better visibility into actions that influence vehicle fuel usage, such as idle times, speed, and route efficiency. In fiscal 2016, supervisors began mentoring drivers to reduce speeding, which helped us reduce fuel usage through better gas mileage.

- **Propane fuel:** Over the last few years we’ve converted many vehicles to propane fuel, which has a lower emissions factor than diesel fuel. As of the end of fiscal 2016, the total number of converted vehicles is 60, which is nearly 17% of our fleet. In fiscal 2017, we expect to convert another 4 vehicles, reaching almost 19% conversion of our fleet.

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

*In mid-fiscal 2017, we announced we would close our Castroville, Calif., facility.*
Reducing Operational Waste

2020 Target: Achieve zero waste-to-landfill at our owned and operated manufacturing and distribution facilities.

Progress: 93% manufacturing waste diversion rate (up from 88% in 2015).

We aim to achieve zero waste-to-landfill at our owned and operated manufacturing and distribution facilities by 2020. None of our facilities has reached this goal yet, although several are coming close.

Most of our waste results from coffee roasting and from packaging our beverage pods. Because reducing operational waste has been important to us for many years, our facilities already have many programs in place to divert waste from landfills by increasing our recycling, composting, repurposing, and waste-to-energy conversion. Much of this is done through our collaborations with a range of regional and national partners who help us ensure that the majority of manufacturing byproducts are diverted from landfill.
We know that a large part of our remaining mixed waste contains coffee that is highly desirable for composting. With that in mind, we’ve worked with vendors to install dismantling machines that help us remove coffee grounds from K-Cup® pods rejected during manufacturing so we can recover the grounds for composting. In fiscal 2016, we built upon the success we’d had using a dismantler at our Sumner, Wash., site and rolled out dismantling equipment across the United States so that all our U.S. facilities have access to a dismantler.

In addition, many of our sites made significant progress toward their waste diversion goals with effective, site-specific tactics. For instance, our Castroville, Calif., facility installed equipment that pelletizes coffee chaff, making it easier and more cost-effective to transport the chaff for composting. And our site in Montreal, Canada, has established a partnership with a cement kiln that uses K-Cup® pods rejected during our manufacturing process to power its operations. The K-Cup® pods provide the kiln with an alternative fuel source to coal. The minimal amount of ash that remains from the burning process is incorporated into the cement product. In 2016, our Montreal facility also began compacting coffee chaff for composting.

Each of our sites has a waste committee that evaluates the costs and opportunities of potential waste diversion projects. The employees on these committees also take responsibility for procedure documentation, trainings, reporting, and communication with their peers. Our employees’ passion to operate responsibly plays a significant role in our ability to consistently make progress toward our zero waste-to-landfill target.

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

In fiscal 2016, we achieved a diversion rate of 93%, surpassing the internal target we’d set for ourselves. This progress was due, in large part, to the dismantling equipment installed in our U.S. facilities and our use of waste to energy.

### DIVERTED WASTE

The waste we divert from landfill disposal includes cardboard boxes, plastic and burlap bags, scrap left over from cutting filters for K-Cup® pods, scrap metal foil from machine turnover and packaging, metal can containers, coffee bean chaff (the outer layer left after roasting), and other organic material, such as coffee beans that don’t meet our quality standards.
## Waste Generation and Management (Tons)*

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total tons</td>
<td>23,012</td>
<td>24,589</td>
<td>22,950</td>
</tr>
<tr>
<td>Reuse**</td>
<td>588</td>
<td>592</td>
<td>3,962</td>
</tr>
<tr>
<td>Solid Waste Recycled</td>
<td>13,332</td>
<td>14,747</td>
<td>11,997</td>
</tr>
<tr>
<td>Solid Waste Composted</td>
<td>4,459</td>
<td>4,614</td>
<td>2,944</td>
</tr>
<tr>
<td>Waste-to-Energy</td>
<td>1,417</td>
<td>1,759</td>
<td>2,390</td>
</tr>
<tr>
<td>Solid-Waste-to-Landfill</td>
<td>3,216</td>
<td>2,876</td>
<td>1,657</td>
</tr>
</tbody>
</table>

- Reuse**
- Solid Waste Recycled
- Solid Waste Composted
- Waste-to-Energy
- Solid-Waste-to-Landfill

### Average Diversion Rate for Manufacturing Facilities

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Castroville, Calif.*</td>
<td>72%</td>
<td>75%</td>
<td>78%</td>
</tr>
<tr>
<td>Essex, Vt.</td>
<td>74%</td>
<td>84%</td>
<td>92%</td>
</tr>
<tr>
<td>Knoxville, Tenn.</td>
<td>85%</td>
<td>87%</td>
<td>92%</td>
</tr>
<tr>
<td>Sumner, Wash.</td>
<td>91%</td>
<td>96%</td>
<td>97%</td>
</tr>
<tr>
<td>Waterbury, Vt.</td>
<td>61%</td>
<td>75%</td>
<td>94%</td>
</tr>
<tr>
<td>Williston, Vt.</td>
<td>80%</td>
<td>82%</td>
<td>93%</td>
</tr>
<tr>
<td>Windsor, Va.</td>
<td>95%</td>
<td>93%</td>
<td>98%</td>
</tr>
<tr>
<td>Montreal, Canada</td>
<td>88%</td>
<td>88%</td>
<td>90%</td>
</tr>
</tbody>
</table>

Average diversion rate for manufacturing facilities: 86% 88% 93%

* Totals may not add up due to rounding.

** In fiscal 2016, we began a more detailed accounting for waste that can be reused. In prior years, this waste was recorded as recycled or composted waste.

* In mid-fiscal 2017, we announced we would close our Castroville, Calif., facility.
Water Use
Aside from a modest amount of water we use to cool coffee beans after roasting, our roasting and coffee packaging processes are dry. As a result, we use relatively little water in the manufacturing of our products.

Because water is a critical resource of great importance to our stakeholders and our Company, we track and report our direct water use. Our total operational direct water use for fiscal 2016 was 37.9 million gallons (143,551 cubic meters).

<table>
<thead>
<tr>
<th>DIRECT WATER USE</th>
<th>FISCAL 2015*</th>
<th>FISCAL 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational water use</td>
<td>37.3 million gallons (141,191 cubic meters)</td>
<td>37.9 million gallons (143,551 cubic meters)</td>
</tr>
</tbody>
</table>

* Fiscal 2015 restated to include data previously not reported.

OUR WATER USE RATIO

Because roasting and packaging coffee doesn’t require a lot of water, the water use ratio for our brewed beverages is very low. The ratio for coffee brewed with a Keurig® brewing system is 1.01 gal/gal. That means it requires a total of 1.01 gallons of water from our operations and during the use of our brewing system to produce 1.00 gallon of brewed coffee. The average water use ratio in the beverage industry for a range of non-coffee beverages is 2.69 gal/gal as of 2012.12,13 Although it’s not typically a coffee industry metric, we began benchmarking our brewed beverages using a water use ratio because water is a critical resource for our stakeholders.

This water use ratio measures only the water needed in our operations and when consumers use our products to make a cup of coffee. (Please review our water footprint to obtain a more comprehensive view of our water use throughout the value chain.)

13 The industry average reflects a range of beverage types, but does not include coffee.
Integrated Environment, Health, and Safety Team

We recently integrated our environmental and safety teams to create a single Environment, Health, and Safety (EH&S) team with enterprisewide responsibilities. This reorganization embodies our commitment to create a culture of safety and environmental improvement that extends beyond our manufacturing facilities to our office environment and allows us to address environmental and health and safety issues simultaneously and in a consistent manner.

In fiscal 2016, the team focused on education and engagement throughout our Company. We convened a council of business leaders from across Keurig with the focus of assessing EH&S culture at the enterprise level, building on the success we’ve had in our manufacturing division to more fully integrate EH&S principles companywide. Our goal is for all employees to see the effect their business decisions have in these areas.

We also built capacity within our manufacturing and technology sites. Our Environment, Health, and Safety Professionals Network consists of EH&S professionals that are embedded throughout our Company. Most of these employees had originally joined Keurig to assume roles that were focused exclusively on health and safety. In 2016, we conducted environmental trainings and supported these professionals as they took ownership of the environmental aspects of their more integrated roles.

Our integrated approach has been critical in driving results. One example is the achievement of our internal fiscal 2016 waste diversion target. Knowing that deployment of our new dismantlers was key to our ability to meet the goal, the EH&S professionals at our manufacturing sites helped build support for the equipment and identified ways to keep us on track toward our target as we waited for full rollout of the new dismantlers.

Looking ahead, we will continue building our employees’ capabilities in this area and begin to identify EH&S metrics to measure and report against internally, so we can track our progress and find ways to strengthen our processes to improve performance.
**OVERVIEW**

**ENVIRONMENTAL RESPONSIBILITY**

**STRONG SUPPLY CHAINS**

- Improving Livelihoods
- Sourcing Responsibly
- Collaboration

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**Clean Water**

**Our People and Communities**

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**Strong Supply Chains**

Photo credit: Oscar Leiva/ Silverlight
Supply chain resiliency — the ability of our suppliers to adapt and prosper under a range of conditions — is vital to our business. Climate change, geopolitics, and shifts in global economic markets, to name just a few issues, can all impact our suppliers and the goods and services they provide to Keurig.

Keurig is committed to addressing social, environmental, and business challenges — to building resiliency and supporting human rights — throughout our complex and varied supply chains that span the world, from farms in the coffee bean belt to the factories across Asia and Europe that build our appliances and related components. The relationships we’ve developed with both farmers and manufacturing suppliers offer us an understanding of the challenges our supply chain communities face and insight into how to address them. As a company dependent on high-quality agricultural ingredients, climate and water resiliency are especially important and are woven into our comprehensive, holistic approach to engaging in our supply chains.

We build supply chain resiliency through a variety of approaches: direct supplier engagement, farmer support, responsible sourcing, and industry coalitions. We aim to provide our suppliers, their employees, and their communities with the skills and tools they need to build a foundation of resilience that will drive sustainable business practices and positively impact livelihoods. These efforts, in turn, will help to generate a long-term, sustainable supply of high-quality products and ingredients for our consumers.

In the past two years, we’ve been working to link our supply chain resiliency efforts more closely with Keurig’s overall business priorities. Investing in our supply chains to increase yield and quality, assessing and mitigating risk, building capability, and addressing systemic challenges to long-term supplier viability are all critical to Keurig’s bottom line.

We have set two ambitious targets, which we intend to achieve by 2020, to improve the resiliency of the people and landscapes that support our products. In this section, we discuss progress toward these targets, which are built, in part, upon our Water Policy, our Climate Change Policy, and our Responsible Sourcing Supplier Guidelines.
OUR SUPPLY CHAIN

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

Packaging Sourcing
Plastic cups, filter paper, and materials for packaging our K-Cup® pods come from a network of suppliers in countries including Canada, the United States, and the United Kingdom.

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

2020 Target: Engage 1 million people in our supply chains to significantly improve their livelihoods, including water security and climate resilience.

Progress: 417K+ people engaged to significantly improve their livelihoods.

The challenges — and opportunities — in coffee communities are complex and interconnected, whether they involve crop quality and harvest sizes, food security, or the serious impacts of climate change. Keurig Green Mountain has been dedicated for years to building a holistic understanding of the needs of coffee-farming communities and to building a foundation of resilience that can see them through even the toughest of times. By building resilience and improving livelihoods, we help farmers stay on their farms and reinvest in their coffee, which can create an economic incentive for the next generation to pursue farming rather than migrate to urban centers. Ensuring the financial viability of coffee farming is essential to guaranteeing a long-term, consistent supply of high-quality products, which is why our target propels us to engage holistically in the issues at coffee’s origin.

Tracking Our Progress

Significantly improving the livelihoods of 1 million people is no easy task, and we intentionally chose a challenging target. One particular puzzle for us has been determining how to measure our progress in a meaningful way: We want to know that the programs we are supporting to achieve our target are having their intended effect.

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

Our methodology for determining how many livelihoods have been improved goes beyond merely tallying the individuals participating in programs; rather, we count the number of people who have adopted practices that help them achieve significant and lasting improvements in their lives and those of their family members. We defined these impact indicators together with project partners and metrics experts to strengthen our approach to reaching our 2020 goal. To date, we have supported 417,769 individuals to significantly improve their livelihoods through Keurig-funded projects like the ones featured on the next pages.
We improve livelihoods in coffee-growing communities by focusing on three primary solutions with our partners.

Adoption of better coffee-farming practices
The Coffee Trust
GUATEMALA
3,252 people live in coffee-farming households that use efficient microorganisms to fight coffee leaf rust and improve productivity, among other new organic farming practices they have learned.

Adoption of water-smart farming practices
Catholic Relief Services (CRS) “Blue Harvest”
NICARAGUA, HONDURAS & EL SALVADOR
7,955 people live in households that have learned and applied sustainable water resource management practices on their coffee farms.

Improved food security
Save the Children
NICARAGUA
5,256 people have more stable, diverse, and nutritious diets, with 95% of families reporting they have stored away food for the “thin months.”

Income diversification
Heifer International
HONDURAS
751 families, comprising 3,755 people, have adopted new non-coffee, income-generating activities after receiving training and resources from Heifer, including Heifer’s Passing on the Gift.
Most small-scale coffee farmers—even from countries that supply the world’s best coffee—continue to struggle with low incomes, seasonal food insecurity, and production problems stemming from a changing climate. Keurig Green Mountain’s willingness to understand the specific challenges farmers in their supply chain face, and to provide support for diverse, innovative projects to improve livelihoods, offers an inspiring example of how companies can be effective partners for change.”

— DON SEVILLE, Co-Director, Sustainable Food Lab

Partnering in Coffee Communities

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

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

In this year’s report, we highlight some of the programs we support in coffee-growing communities.
Recovering from Coffee Leaf Rust Disease

The resilience of coffee communities from Mexico to Peru has been tested over the past several years by *la roya*, or coffee leaf rust disease, a fungus that attacks the leaves of coffee plants, prevents the coffee plant from flowering, and significantly decreases coffee yields. Because we source our coffee from around the globe — and not just from Central and South American countries — *la roya* doesn’t pose a direct threat to our overall coffee supply. But it has caused significant damage to many of the coffee communities where we have important relationships.

To aid farmers in their fight against — and recovery from — *la roya*, we supported the launch of the award-winning Coffee Farmer Resilience Initiative (CFRI) with a three-year commitment, which culminated in September 2016. We continue to collaborate closely with Root Capital, the impact investment nonprofit behind CFRI, on implementing lessons learned from the first phase of the initiative and continuing the path toward resilience.

With support from Keurig and other funders, CFRI has reached over 430,000 farmers across Mexico, Guatemala, Honduras, Nicaragua, and Peru with loans and/or advisory services to 180 coffee enterprises. Critical to this was the in-depth financial management training provided to 162 farmer organizations by Root Capital.

A significant achievement of CFRI is well-managed coffee plant maintenance. Coffee plants have a lifespan of about 20 years, after which the plants must be replaced (a process known as renovation) or greatly pruned (known as rehabilitation). This puts a hold on the farm’s productivity — and the farmer’s income — while the new plants are taking root or the pruned plants are growing. While large commercial coffee farmers are able to rehabilitate their plants regularly, smallholder farmers struggle to make ends meet while their farm is undergoing renovation and rehabilitation. Of course, this process has been further complicated — and made more urgent by — *la roya*. Through CFRI’s climate-smart agronomic assistance, Root Capital equipped 194 representatives from 86 coffee enterprises with skills and practical information they can use to plan and manage renovation and rehabilitation projects among their farmer members. In addition, CFRI approved nearly $8 million in long-term financing to eight of these organizations, which directly enabled 879 smallholder farmers to renovate and rehabilitate 4,477 acres (812 hectares) of land. The training and investments made in renovation and rehabilitation will aid farmers long after *la roya* is eradicated in the coffeelands.

“The formative experience (the knowledge gained) is more valuable than the financial/economic part, because it does us no good to be lent $1 million dollars if we don’t know how to manage it.”

— COCREBRISTOL COOPERATIVE, Project Participant
Coffee: A Watershed Opportunity

Water is an essential input across our value chain, from coffee trees to bean processing to brewing beverages. It is also critical to the resilience of coffee farmers and their communities. In fact, upwards of 9 million people in Central America depend on coffeelands for their water supply.14 Because coffee grows optimally at high altitudes in agroforestry systems, farmers have the opportunity and ability to be stewards of vital water resources for the entire watershed. Well-managed coffee systems can protect and restore watersheds that provide potable water for rural and urban communities downstream.

This is the aim of the Blue Harvest program, a four-year initiative coordinated by Catholic Relief Services (CRS), to which Keurig Green Mountain has contributed more than $4 million as a founding funder.

Blue Harvest works with community leaders and coffee farmers to improve the quality and quantity of water for 150,000 people in El Salvador, Honduras, and Nicaragua. The project protects and restores water sources, improves coffee productivity with water-smart practices, and strengthens local water resource management.

Since the project began in 2014, Blue Harvest has directly benefitted over 42,000 people through these efforts by carrying out field-level activities on farms, coffee mills, and water systems.

“Support from Keurig makes Blue Harvest’s work possible. We partner with local stakeholders to improve water stewardship and make farming more profitable for the hardworking farmers of the Central American coffeelands. Throughout the project, we’ve mobilized local governments, water service providers, local water committees, national government agencies, and the private sector to co-invest and to collaborate on restoring and protecting critical watersheds.”

— MAREN BARBEE, Blue Harvest Central America Regional Manager, CRS

14 Blue Harvest and CATIE (Tropical Agricultural Research and Higher Education Center, Centro Agronomico Tropical de Investigacion y Ensenanza in Spanish)
SPOTLIGHT ON HONDURAS

CASE STUDY: REVITALIZING A COFFEE COMMUNITY

Like many communities throughout the Central American coffeelands, Opatoro, Honduras, derived more than 80 percent of its income from coffee production and related activities. It’s for good reason, too — Opatoro is located in the Montecillo mountain range, the country’s best-known coffee region and home to Honduras’ highest quality coffee, Marcala Coffee. But recent seasons haven’t been kind to Opatoro’s smallholder farmers, who have endured the shutdown of the local mill, poor water management, and the devastating effects of la roya. Opatoro’s mayor, Dunia Martínez, estimates that between 2012 and 2014, half of the town’s 14,000 residents fled to larger cities seeking other work. In most parts of Opatoro, coffee yields were nearly nonexistent in 2014 and 2015.

Determined to save her community’s coffee-farming traditions, not to mention Opatoro’s sagging economy, Martínez partnered with initiatives like Blue Harvest’s to spur a revitalization of the local coffee industry and to improve water management so families have access to water. Blue Harvest trains farmers on water-smart agricultural practices to improve yields and protect water sources, and trains the community’s existing water committees on proper infrastructure maintenance so they can more easily improve their water systems without needing outside assistance.

As a result of these efforts and more, Opatoro farmers saw a coffee harvest again in 2016, and Keurig hopes to have the opportunity to source coffee from this region in the future.

Top: Dunia Martínez in a coffee nursery, which provides seedlings to Opatoro’s farmers.
Bottom: Water-smart agriculture, Blue Harvest’s focus, has many applications, including the ongoing fight against coffee leaf rust, or la roya. Rodolfo Enrique López (far left) stands with other members of a small producer cooperative of El Sauce, Opatoro. The cooperative, nearly 100% of which was affected by la roya, is in the process of renovating its farms through new seedlings.
As of the end of 2015, Blue Harvest had achieved the following:

1,922 coffee farmers were trained in water-smart agricultural practices; these farmers adopted recommended practices that sustainably improve agricultural productivity.

36,000+ people have improved drinking water through upgrades, such as repairing leaks or replacing water tanks, made to 26 water systems.

1,000+ stakeholders were engaged in water resource management to improve water governance in seven watersheds.

259,286 gallons (981,504 liters) of water were conserved through efficiency improvements in 543 wet mills.

Keurig is also supporting Blue Harvest’s creation of an innovative water benefits tool, which will be made available for public use. This calculator helps farmers estimate how certain water-smart agricultural practices, such as live barriers and water infiltration ditches, can reduce erosion and help capture water for use in farming, reducing pressure on local water sources.
SPOTLIGHT ON NICARAGUA

CASE STUDY: SUPPORTING FOOD SECURITY

Throughout the coffeelands, smallholder farmers struggle with food security due to the seasonal nature of harvests, volatility of coffee and food markets, lack of access to financial services, climate change, and more. There’s even a name for it: *los meses flacos*, the thin months. Keurig has long been committed to addressing this issue in our supply chain, especially in Central America where our research suggested the situation was particularly acute: Our 2007 survey with the Center for International Tropical Agriculture (CIAT) found that on average farmers in Nicaragua had only 8.5 months of adequate food supply during the year. Three of our longest-running programs in Nicaragua came to a close this year, and we are proud to reflect on not only the positive change they have brought to the communities where they were implemented, but also the capacity they helped build within the local coffee organizations that will sustain these gains into the future.

*Save the Children*: Keurig has funded Save the Children’s food security efforts in Nicaragua for seven years. In 2016, the third phase of our food security and income generation program came to its planned culmination. The program assisted more than 13,200 people in coffee-farming families throughout north-central Nicaragua. In this final phase of the program, 1,384 participating families have increased their incomes on average by 33 percent, better positioning them to make it through the thin months. These families chose to reinvest nearly three-quarters of their increased income in maintaining their crops and coffee-growing land, enabling the farms to provide more consistent incomes. Farmers also began small plots of crops, such as bananas, sweet potatoes, and cassava, to help feed their families; children and youth began raising bees for honey. One program participant, Yesenia Guido, expanded her small farm’s coffee production from 8.8 pounds (4 kilograms) to 110 pounds (50 kilos) while also launching small businesses that raise chickens and sell cornbread. In Guido’s words: “We went from migrants without resources to coffee...
entrepreneurs thanks to the support of the project!"

By program close, participants surveyed had an average of 11.2 months of adequate food supply during the year, which stands in stark contrast to our 2009 research results that showed they had only eight months of adequate food supply. Among participants, 95 percent of households have food stored for the thin months — which is one of the main strategies promoted by the project to improve food security.

Community Agroecology Network (CAN): Keurig began funding CAN’s food security project in Las Segovias, a northern region of Nicaragua, in 2010 and added a second site focused on Youth Leadership in 2011. These two projects have directly supported over 2,000 families to improve their food security by promoting more sustainable, locally controlled food systems and increasing access to healthy food. CAN’s grassroots field work included building local capacity on agro-ecological production, crop diversification, food storage and seedbanks, and nutrition.

In Las Segovias, CAN worked with a large coffee cooperative to establish local food distribution centers in rural communities where neighbors can buy and sell food. During the growing season, farmers sell excess vegetables from their gardens, and others can buy this fresh produce — which was typically only available at high cost and low quality in the town centers. Farmers can also sell their basic grains — corn and beans — during harvest to be stored for resale during the thin months when these diet staples are at their highest price. Last year, these centers distributed 80 tons of corn during the thin months. This locally managed food system resulted in the availability of higher-quality food at a lower cost with profits staying within the community.

This region was an epicenter of la roya, with more than 93 percent of coffee-farming families impacted. In addition to devastation from la roya, corn and bean crops — two chief sources of food — were impacted by lack of rain in recent years. Despite these climate-related shocks, participating families sustained improvements in food security — reducing thin months over the course of the program from six to four in one site and from three to two in another — which is a true sign of improved resilience, even in the face of la roya.

“The work we do in this project helps us to have better nutrition and extra income because we sell some of what we produce. Now I eat delicious vegetables — it is very nice to be able to eat well!”

— CAROLINA DÍAZ GARCÍA, Cooperativa Denis Gutiérrez Cardoza, La Pita, San Ramón, Nicaragua
Sourcing Responsibly

2020 Target: Source 100% of primary agricultural and manufactured products according to established Keurig Green Mountain Responsible Sourcing Supplier Guidelines.

Progress:
- 73% Coffee traceable
- 25% Coffee sustainably certified

Companies that source responsibly can improve their suppliers’ performance while simultaneously benefitting their own business by increasing security of supply and mitigating risk. Our Responsible Sourcing Supplier Guidelines were first developed in 2007 in order to support the creation of supply chains where human rights are respected, where the natural environment is preserved and restored, and where suppliers operate in compliance with all applicable laws and regulations.

We have committed to sourcing 100% of our primary agricultural and manufactured products according to our guidelines, which are informed by international standards and apply to all of Keurig’s supply chains, from beverage ingredients to the electronic components in our brewers. They spell out our expectations regarding freely chosen employment, child labor, business integrity, health and safety, raw material sourcing (including conflict minerals), and more.

We want to be sure that suppliers fully understand our guidelines and how to align their practices so they are in accordance with relevant laws and internationally recognized standards. The guidelines are posted on our website and are available in English, Spanish, French, simplified Chinese, and Japanese, representing the majority of languages used in our supply chains. We have shared...
the guidelines with our suppliers in various ways, including presentations at the Company’s Asia Manufacturing Summit and Top 100 Supplier Conference.

Each year, we request that our suppliers read, acknowledge, and agree to adhere to our guidelines via an “annual adherence” survey. Of all direct material suppliers who received a Supplier Relationship Management (SRM) scorecard in fiscal 2016, 93% signed our annual adherence survey. We only send scorecards to Keurig’s most significant supply chain partners.

Internal training is an important part of our responsible sourcing strategy. In fiscal 2016, we held trainings for select Keurig Procurement and Supplier Quality staff to enable them to more closely integrate with the Responsible Sourcing team during their work with our suppliers. The trainings covered an in-depth review of our guidelines, tools to use on the ground during supplier visits, and a deeper look at forced labor in coffee and manufacturing supply chains.

To support the implementation of the Responsible Sourcing program in our manufacturing supply chains, in fiscal 2016, we joined the Electronic Industry Citizenship Coalition (EICC). Our membership in the coalition offers opportunities for us, and for our supplier network, to collaborate with peers and to access valuable training materials to proactively address both recognized and emerging risks in manufacturing supply chains, such as vulnerable migrant workers in Malaysia. As part of our EICC membership, we are also part of the Conflict-Free Sourcing Initiative (CFSI). The CFSI provides us with tools to further strengthen our due diligence efforts to responsibly source conflict minerals.

Raw Materials Sourcing and Conflict Minerals
Keurig has outlined requirements relating to conflict minerals in our Responsible Sourcing Supplier Guidelines, which are available on our website. Keurig Green Mountain and our subsidiaries are committed to sourcing components and materials from companies that share our values regarding respect for human rights, ethics, and environmental responsibility. As a private company, we voluntarily prepare and publish on our corporate website a Conflict Minerals Report outlining our efforts around this commitment.

Supplier Assessments
We aim to regularly assess key suppliers to determine whether they’re measuring up to our responsible sourcing expectations. Our assessments, alongside other types of supplier engagements, will help us source 100% of primary agricultural and manufacturing products according to our guidelines and deepen the impact we can make in our supply chains. Assessments are risk-based and focus on three areas: employment practices — including respect for human rights — health and safety, and environmental responsibility. If suppliers fall short of our expectations, we work closely with them to identify the root causes of any shortcomings and to develop plans to correct and prevent them in the future. These assessments provide us with a snapshot of our suppliers’ operations and workforce, giving insight into suppliers’ strengths and opportunities to improve within our areas of focus.

In fiscal 2016, we assessed 13 suppliers across our manufacturing and coffee supply chains and are working with each supplier to resolve the findings and ensure continuous improvement.
HELPING A SUPPLIER WITH WATER MANAGEMENT

We’ve long believed that helping our suppliers comply with our responsible sourcing standards is imperative to the well-being of both our farmers and the environment. Case in point: We’re helping one important Colombian supplier, which provides the coffee for our Timothy’s® Colombian La Vereda product, to implement better water management techniques in order to prevent the contamination of surface and subsurface water sources. The project expects to improve the livelihoods of 500 smallholder farmers and is being executed in partnership with Socodevi, a Canadian international development organization.

SUPPLIER RELATIONSHIP MANAGEMENT PROGRAM

Relationships with suppliers are critical to communicating our Responsible Sourcing Supplier Guidelines and meeting our high standards for quality, safety, and social and environmental responsibility. Our Supplier Relationship Management (SRM) program brings together employees from across Keurig, from appliance engineering to operations to quality, in order to holistically manage our relationships with suppliers. The program allows for comprehensive business evaluation of suppliers and gives each internal department a voice in deciding who does business with Keurig. As part of SRM, suppliers are regularly rated on a scorecard so they clearly understand their performance against Keurig’s requirements. Each scorecard has a Supply Chain Sustainability section that allows for specific Responsible Sourcing or Social Impact metrics to be included in our evaluation of supplier performance. In fiscal 2016, we began ranking green coffee suppliers on sustainability performance and partnering with them to help foster improvements. Our work with Great Lakes Coffee in Uganda is just one example of this. The continued integration of supply chain sustainability considerations into the SRM program will be critical to achieving our responsible sourcing targets.
Tracing Our Green Coffee Supply Chains

As simple as it may sound to know the source of your products, the reality is that supply chain transparency and product traceability are sizable challenges for any company. When we know who produces our coffee, we are one step closer to knowing how they produce it. That helps us to make better-informed risk assessments and purchasing decisions as we strive to meet our sustainability targets. Keurig relies on several strategies to achieve these aims in our coffee supply chain.

One important approach is our purchase of independent, third-party certified coffee such as Fair Trade, Rainforest Alliance Certified™ and UTZ Certified™. We’ve benchmarked these certifications against our own guidelines and have found they align with our sourcing standards, thus helping us meet our 2020 Responsible Sourcing target.

Our Farm ID purchases are a critical first step toward transparency and traceability for non-certified purchases, allowing us to conduct our own due diligence against our guidelines. While Farm ID aims to achieve traceability down to the farm or group/cooperative level for all purchases, in some supply chains, we have traceability only to the specific mill or, more broadly, to the exporter’s buying region. We continue to work with our supply chain partners to improve this over time as both our, and the industry’s, data tracking capability matures.
Tracing Coffee Throughout Our Supply Chain

Certified coffees, like Fair Trade and Rainforest Alliance, have traceability to the farm level, as does a portion of Farm ID coffee.

25% of coffee purchased, or more than 51 million pounds, was Fair Trade or Rainforest Alliance Certified™ in fiscal 2016.

Farm ID coffee is always traceable to the mill and/or the exporter. Some Fair Trade coffee cooperatives mill and export their coffee, while others use a third party.

73% of our coffee, or more than 148 million pounds, was traceable either via certification or through our Farm ID program in fiscal 2016.

Our conventional coffee is fully managed by importers who agree to abide by Keurig’s Responsible Sourcing Supplier Guidelines.

Producer

Coffee producers grow and harvest coffee cherries, which are stripped down to the bean. Some producers belong to cooperatives that collect beans to send to mills.

Exporter

After processing in the mill, exporters send beans in shipping containers to ports in the United States and Canada.

Importer

Importers receive incoming shipping containers and help us transport coffee from ports to our roasting facilities.

Roaster

25% of coffee purchased, or more than 51 million pounds, was Fair Trade or Rainforest Alliance Certified™ in fiscal 2016.

73% of our coffee, or more than 148 million pounds, was traceable either via certification or through our Farm ID program in fiscal 2016.
Tracking Our Progress
In fiscal 2016, 25%, or more than 51 million pounds, of coffee purchased was responsibly sourced via Fair Trade or Rainforest Alliance certification. In fiscal 2016, we purchased more than 43 million pounds of Fair Trade coffee, delivering close to $9 million in community development premium funds for coffee farmers and their families. In fiscal 2016, we purchased more than 7 million pounds of coffee from Rainforest Alliance Certified™ farms.

In fiscal 2016, 73% of all coffee pounds purchased were traceable, a 5% increase from fiscal 2015. We will continue driving to 100% traceability as a first step toward ensuring our coffee is 100% responsibly sourced.

**COFFEE SOURCED (THOUSANDS OF LBS)**

<table>
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<tr>
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<td>Farm Identified (no certification)</td>
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<td>43,404</td>
<td>43,748</td>
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<td><strong>Total pounds</strong></td>
<td><strong>228,494</strong></td>
<td><strong>247,141</strong></td>
<td><strong>203,289</strong></td>
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*Total traceable coffee pounds purchased includes all certified coffee pounds purchased as well as pounds purchased from identified farm sources without certification.

**Any discrepancies are due to rounding.**
TRACEABILITY AND ENGAGEMENT: BRINGING NEW OPPORTUNITY TO FARMERS IN UGANDA

The Great Lakes region in western Uganda is home to the lush Rwenzori Mountains, which straddle the border between Uganda and the Democratic Republic of Congo and provide ideal conditions for growing coffee. Paradoxically, the coffee from this area is perceived as low quality because middlemen mix these Rwenzori coffees with inferior coffee grown elsewhere. This means farmers have no insight into the actual value of their coffee and are often taken advantage of by middlemen.

Our supplier Great Lakes Coffee Company (GLC) aims to be different. Family-owned and operated, the company runs a sustainable coffee program to improve traceability, quality, and access to market and financial capital for farmers. Keurig has partnered with GLC to build on its existing sourcing relationships by co-investing in the sustainable coffee program and, ultimately, increasing the volume and quality of traceable coffee exported from western Uganda.

Key components of the project include improving coffee quality and processing methods through training 16,000 farmer households in good agricultural practices. The project will also reduce the use of middlemen and provide better prices for farmers’ coffee by establishing collection points closer to farmers. Finally, the project will support the equitable participation of women and youth through training and the creation of community-run microfinance. In total, GLC hopes to include 7,000 additional farmers in its supply chain.

For Keurig, this means better traceability to the source of our coffee and better livelihoods for farming families. This enables us to better understand the issues at source, anticipate disruptions in our supply, and help our suppliers build programs that address the root causes of issues impacting farmers.
“Keurig helps to support and build sustainable coffee supply chains in the Rwenzori Mountains through its partnership with Great Lakes Coffee. Together, we create a consistent and superior quality coffee while giving farmers market access. Not only does this coffee present excellent value for Keurig, but improved quality also means better prices for GLC and farmers. GLC, in turn, can incentivize farmers to invest in infrastructure and training. This approach is fairly unique in the world of coffee; Keurig has been the catalyst for change in one of the poorest coffee regions in the world.”

— ANDREAS NICOLAIDES, Company Director, Great Lakes Coffee Company
CAPABILITY BUILDING IN GUATEMALA

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

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

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

In response, Verité partnered first with Keurig Green Mountain, and then additionally with the U.S. State Department and the Skoll Foundation, to investigate the labor recruitment process for opportunities to protect workers’ human rights and increase transparency. The project began in 2015 with extensive primary research, including interviews of 302 internal migrant coffee workers in Guatemala and 152 Guatemalans who had migrated to work in coffee production in Chiapas, Mexico, to understand workers’ experiences with labor brokers, as well as workers’ needs. On-the-ground project activities are being carried out by Verité’s long-term partner, REACH (Research-Education-Action-Change), a Guatemalan NGO.

Exploitive practices associated with labor brokers are not tolerated under our Responsible Sourcing Supplier Guidelines, and our work with Verité is designed to gain a deeper understanding of the systemic issues that can arise in our supply chains. The project aims to provide information to coffee workers, farm owners, and traders while simultaneously driving behavior change among labor brokers by encouraging workers and suppliers to use brokers who operate ethically. To support coffee workers, the program launched the Grievance Reporting Information and Dissemination System (GRID) hotline in June 2016, providing workers with an outlet to report unethical recruitment practices, as well as to obtain information about their labor rights. More than 600 workers have reported labor grievances since GRID became available.

The project also includes training with workers, government agencies, nonprofit partners, suppliers, and Keurig employees. In May 2016, 68 Keurig staff members were trained on risks related to forced labor in the Guatemalan coffee industry. About 140 workers have also received training on their rights, including how to avoid risks presented by working with labor brokers. Looking into the next year of the project, Verité hopes to work with other NGOs, coffee roasters, and the Guatemalan government to further support workers.

Keurig committed $200,000 in funding over two years for the project, which has also piloted a supply chain map that currently includes more than 158 farms and estates in the Guatemalan coffee supply chain. We’ve also begun to apply insights from this project to labor research in other coffee-growing countries, including Colombia, Mexico, and Uganda.
Collaboration

The supply chain challenges Keurig faces in the area of product sourcing are not unique to our Company. We collaborate with businesses—including our own suppliers—that face similar challenges and opportunities, as well as with NGOs and academic experts. This approach helps us to improve our programs and to advance ideas and solutions that help other organizations.

Supplier Events

Top 100 Supplier event: At our second annual Top 100 Supplier Conference in 2016 in Burlington, Mass., we introduced a new feature: Supplier Recognition Awards. For example, Sustainable Harvest received the Brew a Better World award, honoring its commitment to supply chain resiliency. Suppliers are included in the Top 100 event based on the dollar amount we spend with them, how critical they are to our business, and their alignment with our future strategy.

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

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

Intercambio Brazil 2016: In our coffee supply chain, Keurig initiated Intercambios ("exchanges" in Spanish) in order to share best practices, strengthen our relationships with suppliers, and create higher-quality products. The gatherings are designed to bring together individuals from every step of the coffee supply chain to collaborate on issues that most affect the quality of life in coffee communities and the quality of the crops they produce.

Our 2016 Intercambio took place in Brazil, where we gathered 125 primarily Brazilian suppliers to discuss our business and quality standards and to assure suppliers that Keurig is invested in their operations. We also conducted breakout sessions on water stewardship and labor to share research and best practices.

Meeting at our Intercambio in Brazil.
Clean Water
Water is fundamental to our business, from the rainwater that sustains coffee plants to the drinking water needed to brew a beverage. Keurig believes everyone should have clean water, and we recognize that water is a critical natural resource that is strategically important to our Company, our stakeholders, and the communities in which we operate.

The planet faces vast water challenges, from sanitation problems and water shortages to clean water availability and changing weather patterns due to climate change. Our water stewardship approach takes into account water use across our entire value chain, from coffee farming to production to consumption. Keurig believes we can help contribute to solutions by focusing on three areas of action:

- **Balancing**, ounce for ounce, the water used in all our beverages through projects that restore an equal volume of water for nature and for people.
- **Connecting** people to clean water, including our employees, our communities, and our consumers.
- **Optimizing** resources through efficient use of water in our operations and supply chain.

Good water management improves the quality of coffee and the quality of life of coffee farmers and of their neighbors downstream. That’s why water stewardship is explicitly included in our target to improve the livelihoods of people in our agricultural supply chain. Strengthening water security for coffee farmers increases their resilience, which, in turn, improves their livelihoods. Our work with Blue Harvest, a project to restore and manage water resources on and around coffee farms in Central America, contributes to productive and healthy farms, watersheds, and communities. We also connect people to clean water sources by supporting improved drinking water supplies. (Read more about water partnerships in the Strong Supply Chains section.)

*Every great beverage starts with clean water.*
Restoring Water to People and Nature

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

Progress: Balanced 97% of the water used in our beverages in fiscal 2016 through programs that help restore water to people and nature — a total of 707 million gallons.

Keurig offers consumers a resource-efficient choice — and an opportunity to restore water to important ecosystems. In early 2015, we pledged to give back a cup of water to people and nature for every beverage brewed with a Keurig® system. The ultimate target: restoring a volume of water equal to the volume of beverages that we projected would be brewed in 2020.

To reach our target, we are partnering with experts who understand how to enhance freshwater ecosystems and by selecting projects that improve water availability and quality where it has been compromised. All of the projects we support have provided significant benefits for nature and for the people who rely on those waters for drinking, livelihoods, and recreation. Our intent is that, even after our financial backing concludes, the ongoing benefits of these projects will remain in place for the foreseeable future; one of our criteria for the projects we chose is that the protection is sustainable over the long term.

In fiscal 2016, we restored more than 707 million gallons (2,677 million liters) through our support of several projects in the United States, in geographies where people make our beverages. We are excited to have already balanced 97% of the water used in our beverages, based on our fiscal 2016 beverage sales volume. We anticipate that we will likely meet our water restoration goal ahead of schedule.

So far, we've restored more than 707 million gallons to people and nature. That’s 97% of our 2016 brewed beverage volume.
Our Water Balance Partners

- **The Nature Conservancy (TNC)**, a leading global conservation organization that works to protect ecologically important lands and waters for nature and people.
- **Raise the River**, a coalition of organizations, including TNC, which aims to protect and restore the Colorado River Delta.
- **American Rivers**, a long-time partner of Keurig that has worked with us to address fish passage issues and to restore critical floodplain and riverbank habitat. American Rivers partners with us in many of our employee volunteerism community projects.

Cleaning Up Lake Champlain

With our deep Company roots in Vermont, Lake Champlain holds special meaning for Keurig Green Mountain. The primary challenge in Lake Champlain — and many other lakes — is too much of the nutrient phosphorus, which causes excessive aquatic plant growth and algal blooms. Such growth can threaten drinking water supplies, close beaches due to human health threats, devalue property, and endanger fish and other aquatic organisms. Phosphorus runoff from agricultural fields, urban roads, and paved areas eventually reaches Lake Champlain through streams, rivers, and drainage systems.

To improve water quality in Vermont, we have embarked on a public-private partnership that includes our Company, the Vermont Department of Environmental Conservation (DEC), and Vermont’s chapter of TNC. Together, we aim to improve the lake through key conservation investments and development of an interactive, online tool, called the Clean Water Roadmap. The Roadmap analyzes water quality improvement options through conservation and supports the state’s clean water priorities and planning.

Strategic investments in nature-based solutions that reduce pollution and protect landscapes at a fraction of the cost of human-built infrastructure are also part of this innovative partnership. Keurig, the DEC, and TNC are financing...
Stormwater runoff can make its way into lakes, rivers, and oceans, contributing to flooding and erosion. Before Restoration

Restoration

Supporting natural spaces and managing stormwater runoff improves habitats and creates a cleaner and more sustainable ecosystem.

After Restoration

Conservation and restoration projects within the Lake Champlain basin to prevent phosphorous runoff and rebuild floodplains that naturally filter out nutrients.

One good example of this type of work has been taking place on a 73-acre farm on a peninsula in St. Albans Bay of Lake Champlain, where runoff from cropland and barnyard areas had been degrading water quality in the lake. With Keurig’s support, TNC acquired a conservation easement on the property, which will prohibit development, limit uses of the land to low-impact agriculture, protect existing wetlands and grasslands, and mitigate the flooding and pollution associated with runoff.

The Clean Water Roadmap, which launched in early 2017, was designed to be a user-friendly online management tool allowing for more strategic and targeted cleanups and preventive restoration of the biggest water pollution sources across the watershed. Anyone working in Vermont to improve water quality through phosphorous reduction projects can access the tool, which is housed by the Agency of Natural Resources. The tool includes the TNC’s Water Quality Blueprint, which was developed as part of Keurig’s partnership with TNC to help conservation practitioners focus on areas that provide the most benefit to water quality and conservation goals.

In Vermont and across our water efforts, we are helping to develop tools, like the Clean Water Roadmap, to ensure that support goes beyond our Company and also involves partner agencies, nonprofits, and governments. For example, as part of our TNC partnership, we recently collaborated on the (beta version) development of TNC’s Water Funds Toolbox, which provides a standardized approach and “how to” guidance for water funds, based on TNC’s and our partners’ 15-plus years of experience.

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“Our collaboration with Keurig has allowed us to develop the science we need to bring nature as solutions to our water quality problems in Lake Champlain. This work has helped us strategically prioritize our limited resources and make a real difference for both nature and people. Vermonters care about this work because not only will our projects result in a better outcome for the lake, but they also will improve recreational opportunities, enhance wildlife habitat, and can help prevent flooding during storms.”

– HEATHER FURMAN, Vermont State Director, The Nature Conservancy
Reviving the Colorado

About 40 million people live in the Colorado River Delta watershed. Some of the younger generations, however, have only experienced a dry riverbed — not the powerful river the Colorado once was. Degradation from water supply demands, dams, and climate change has taken a significant toll. The nonprofit Raise the River, a coalition of several conservation organizations, has been trying to reverse that with a goal of revitalizing the Delta for the benefit of people and the environment.

With the help of a $4.8 million investment from Keurig, Raise the River has acquired permanent water rights to 630 million gallons (2,384 million liters) of water and restored more than 680 acres of habitat through planting more than 110,000 trees.

Supporting Saginaw Bay

The Saginaw Bay watershed, which spans 5.5 million acres and 22 counties, is the largest watershed in the state of Michigan and is critically important to the health of Lake Huron and the entire Great Lakes ecosystem. But heavy
demands on the shoreline and poor agricultural practices have damaged key ecological processes and degraded water quality.

In fiscal 2016, Keurig supported the Saginaw Bay Watershed-Groundwater Recharge Project, which aims to improve water quality by implementing "no till" farming techniques to reduce erosion and protect water resources. With funds from Keurig, the project covered the costs associated with transitioning from traditional practices to no-till farming to allow the previous season's crop residue to stay on the field. In 2016, farmers employed no-till practices on a total of more than 1,430 acres of land.
Making Connections

We collaborate with a variety of organizations, funding work that addresses water access, conservation, and watershed restoration. Some of the projects build upon activities we have been doing for years — such as cleanups with our employees in waterways near our facilities.

Most of us take for granted that clean, fresh water will be at the ready for our daily use, including for brewing Keurig® beverages. We extend our water stewardship to the millions of consumers who use our brewing systems every day through social media and projects that protect drinking water. Our work with the nonprofit charity: water offers just one example.

With charity: water, we have brought clean and safe drinking water to more than 81,000 people through over 230 projects in the coffee-growing countries of Rwanda and Ethiopia. We also support charity: water’s Pipeline initiative that keeps water flowing after new water access points...
have been established. Pipeline brings together local leaders and mechanics with innovative technology to repair and maintain water sources at charity: water projects around the world. In 2015, we provided $150,000 to support long-term watershed management planning and implementation in the Rulindo District in Rwanda.

In 2016, we continued our commitment to clean water in Ethiopia with another $150,000 pledge, and this time we got our consumers involved. During a four-month period in 2016, we sponsored a bridal registry campaign through The Knot, a popular wedding planning website that donates a percentage of each registry purchase to a charity of the user’s choice. Through this collaboration with our customers, Keurig donated a total of $350,000 to new water projects and water security in Ethiopia.

Since 2013, Keurig has invested $3.9 million in the work of charity: water through our donations and further supported its fundraising and awareness efforts by spreading the word about the water crisis through social media campaigns.

Optimizing Resources

Our Company’s own direct water usage is low since coffee roasting and processing of our finished goods is not especially water intensive. In fiscal 2016, our total operational water use was just over 37.9 million gallons (143,551 cubic meters). Learn more about our footprint in the Environmental Responsibility section and optimization efforts in the Strong Supply Chains section.
Our People and Communities
At Keurig, our employees drive our success in the marketplace while helping us make a difference in our communities and within our supply chains. We hire individuals who have the passion, imagination, integrity, and ingenuity to contribute to our Company’s goals and to our continued growth.

2020 Target: Engage 100% of employees to understand our vision and values and present opportunities that allow them to contribute to our targets.

Progress: 70% of employees engaged in a sustainability program or education initiative.

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

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

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

Thriving communities support our business — and our business supports local communities. We empower our employees to contribute to their communities and create positive change in the places where we do business around the world. Volunteerism programs are at the heart of our employee engagement strategy because they benefit our business, our people, and the communities we call home. This ties directly to one of our 2020 sustainability targets: engage 100% of employees to understand our vision and values and present opportunities that allow them to contribute to our targets.

LIVING OUR VALUES

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

• WE PARTNER FOR MUTUAL SUCCESS: Our boundaryless approach to collaboration creates benefits for all.

• WE INNOVATE WITH PASSION: With courage and curiosity, we are shaping the future by redefining the consumer experience.

• WE PLAY TO WIN: Our team sets ambitious goals and meets each challenge with unified purpose and character.

• WE BREW A BETTER WORLD: We use the power of business to make the world a better place.
In fiscal 2016, 70% of our employees participated in one of our sustainability programs, such as volunteering or matching donations, or engaged in an education initiative, such as attending a “lunch and learn” session focused on a sustainability topic. We want to recognize not only the employees who are able to directly participate in these programs, but also employees who engage by being supportive of, and informed about, our sustainability initiatives. Research consistently shows that when people are engaged at work they are happier in their jobs, more successful in their careers, and make more meaningful contributions at the workplace and within their communities. Employee engagement, including source trips and volunteerism, has always been an essential element of our people strategy.

Engaging Our People & Communities

Fiscal 2016 Results

- 56,000+ volunteer hours
- 55% of employees participated in a volunteer program
- 70% of employees engaged in a sustainability program or education initiative
- 1,600+ organizations supported
- 1,300+ brewers donated
- 500+ employees sent on one of our source trips over the last two decades
VISITING THE COFFEELANDS

As a coffee company, we believe one of the best ways to help employees understand the full impact of our business is to take them to where it all begins: the coffeelands. For more than two decades, Keurig has been bringing groups of employees to coffee-farming communities around the world. Employees get a firsthand look at where our coffee comes from, gaining a deeper connection to the people who are involved at the very earliest stages of our value chain.

Although most Keurig employees focus on coffee in one way, shape, or form every day in their jobs, they don’t necessarily understand the origins of the product or how much work is involved in growing and harvesting coffee. By the same token, many coffee growers and exporters don’t know what happens to their beans once they leave their countries. The visits from Keurig give those at the source an opportunity to learn more about what happens to their end product. Moreover, it gives them a chance to showcase their products with pride.

“My family and my grandparents began the coffee production about 100 years ago. Coffee has been one of the most important crops cultivated for several decades in this country. Coffee played a really important role in the socioeconomic development of this country,” said Manuel Antonio Quiros, who grows coffee for Keurig as part of the Café de Altura de San Ramón cooperative in Costa Rica.

In fiscal 2016, 56 Keurig employees visited coffee communities in Colombia, Peru, Costa Rica, Nicaragua, and Mexico. In addition to learning about coffee production, the trips offer employees a chance to bond with colleagues from our Company who they may not otherwise get a chance to meet. They also offer some unique life lessons.
“Employee source trips are like the soul of the company. They show us at our best, most thoughtful, most well rounded, and most forward thinking.”

— AMY BROSIUS, Legal Department, South Burlington, Vt.
The source trips, which are often described by employees as life changing, alter perspectives and broaden horizons in ways that pictures and videos cannot. Hundreds of Keurig employees have participated in the weeklong trips over the last 20 years. We choose employees from all functions, geographies, and levels of the Company. Keurig covers all trip expenses. Employees also have the opportunity to serve as source trip leaders, giving them a chance to develop their own leadership skills while creating a memorable and meaningful experience for others.

The trips take significant logistical coordination and planning — and don’t always go as expected. Our 2016 trip to Mexico, in particular, taught employees the importance of flexibility when Central Mexico’s Popocatépetl volcano, one of the country’s most active, erupted shortly before employees were to start their trip, creating all kinds of transportation challenges that required last-minute adaptability by organizers and participants.

Although our Company has changed over the years, with new ownership and new leaders, we have maintained this program because we believe it’s so valuable to who we are and what we do. “I think it’s a testament to the organization that the source trips have remained so important to Keurig. It would have been easy to say that this is a nice-to-have program,” said Colleen Popkin, Senior Manager, Sustainability. “But those at the highest levels of the Company see the trips as important to our culture and a great example of our values.”

“The trip gave me a hands-on education in what really happens from source to cup. No matter what your role is here, the trip will forever change not only how you view the company but your own personal life.”


“During our trip, it didn’t matter what farm, cooperative, or mill we went to: I felt the pride of all the people involved in the coffee process.”

— R Y A N W H I T E, Distribution Center Team Associate III (Material Handling), Williston, Vt.
Working at Keurig

At Keurig, we foster a culture of innovation that promotes teamwork, creativity, and collaboration. Our people thrive in a fast-paced and often rapidly changing environment that pushes boundaries and encourages problem solving. We leverage the passion of our employees to help us be more sustainable in everything that we do.

We want our people to be challenged and inspired and to feel valued at work. We invest in our employees with a wide variety of development resources and innovative learning opportunities that fit unique learning styles and help our team members reach their full potential. Employees chart their own learning and development journeys, taking advantage of specialized programs from eLearning resources to leadership courses. These programs are one of many reasons why our employees enjoy working for — and stay working at — our Company. Our retention rate in fiscal 2016 was 88%.

In fiscal 2016, we refreshed our career development program to underscore our commitment to career growth. We hold our leaders accountable for building a talent pipeline, which enables business success and brings meaningful opportunities to our people. We hold our team members equally accountable to express career interests, develop relevant skills, and earn new opportunities through on-the-job performance. We encourage our people to stretch themselves and develop in a way that builds success for individuals and for our business.

Our performance management and goal-setting process helps hourly and salaried employees better plan, align, and evaluate their work. We recently streamlined and simplified the goal-setting process to keep our employees focused on the elements of their jobs that matter most to delivering our strategy.
Our Employees — Get to Know Us

KIMBERLY TAFT
Business Analytics Manager

“It was the brand names that first attracted me to work for Keurig Green Mountain. Growing up in Vermont, both the Green Mountain Coffee® and Keurig® brands are extremely well-known not only for their great products, but also for being a part of a company that was a great place to work. I stay with Keurig Green Mountain not just for the products but for our Company values, our aspirations, and our people.”

VALERIE FRISSORA
Senior Director of Talent Acquisition

“Keurig Green Mountain has given me such a wide range of experience to grow my career portfolio from the functions I support to the projects I’ve been able to lead. One of my favorite things about my job is the ability to work with such amazing, respectful employees. Throughout my professional career, I’ve never worked with employees that are as down-to-earth, passionate, collaborative, and supportive as they are at Keurig Green Mountain.”
"I've been able to create my own career path at Keurig Green Mountain since I started the day after I graduated college. One of the common themes about working for Keurig Green Mountain and on the Social Media team that I love is that it's always fast-paced and changing. No two days are the same because trends in social media are always shifting, and our Company is evolving. The drastic growth we've had over the years has really taught me to adapt and stay nimble."

JENNIFER LAMBERT
Social Marketing Manager

"I've learned by working at Keurig Green Mountain that you can do great things when you are really passionate about what you do. Our Company's business model is so enticing with its large complexities. My favorite thing about my role is the ability to use our data and analytics to influence decisions and see immediate results. Having a strong work ethic, thirst for knowledge, and intellectual curiosity is the key to success here."

RUSS KEENE
Director of Price & Trade Strategy
**Compensation and Benefits**

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

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

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

**SOMETHING NEW AT KEURIG**

The Network of Executive Women, known by the acronym NEW, is a national organization that aims to develop female leaders in the retail and consumer goods industries. We recently partnered with NEW to help foster career growth of employees — both women and men — at our Company. In fiscal 2016 and early 2017, we hosted multiple networking events for employees in our Vermont and Massachusetts locations, offered 16 virtual training courses, and established six mentor relationships with college students who expressed interest in building career skills with a consumer packaged goods company. We also offered online learning sessions for employees to tap into lessons that focus on building more satisfying careers. Since the launch of the NEW program at Keurig in early 2016, we have had more than 140 employees participate across all levels and divisions of the organization, and 17 Keurig employees attended NEW’s national summit to enhance networking and training skills. We expect to build upon this engagement in the coming years.

**OUR ROBUST BENEFITS INCLUDE THE FOLLOWING:**

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

**OUR PEOPLE AND COMMUNITIES**

Working at Keurig
Health and Safety
Volunteering in Our Communities

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Our online well-being program, called Your Best Self, encourages our employees to stay on track with fun activities for mental, physical, and financial health. We offer quarterly and ongoing challenges that earn points for participation in activities such as undergoing preventive medical exams. Financial programs were especially popular in fiscal 2016: More than 200 employees joined in “lunch and learn” programs with Fidelity Investments, and 400 completed a holiday budget challenge.

We encourage participation in activities such as weight loss or smoking cessation programs by offering incentives such as free Fitbits, paid days off, and company-sponsored contributions to Health Savings Accounts. In calendar 2016, 462 employees earned an extra day off, and 10 employees earned extra payments toward their medical contributions.

Diversity and Inclusion
Keurig fosters a diverse and inclusive environment, recognizing that diversity strengthens our business. Diversity leads to a more vibrant workplace, richer interactions, and, ultimately, a better business model. We provide equal employment opportunities to all qualified people regardless of ethnicity, religion, gender, age, marital/civil union status, sexual orientation, veteran status, disability, or other legally protected classification. As a signatory to the United Nations Global Compact, we strive to uphold the elimination of discrimination in respect of employment and occupation. In fiscal 2016, U.S. employees self-identifying as minority made up 11% of management and 25% of our total workforce. Women made up 34% of management and 37% of employees overall.

<table>
<thead>
<tr>
<th>DIVERSITY</th>
<th>FISCAL 2014</th>
<th>FISCAL 2015</th>
<th>FISCAL 2016</th>
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<tbody>
<tr>
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<tr>
<td>Women in workforce</td>
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<td>36%</td>
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<td>People of color in workforce*</td>
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<td>23%</td>
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* United States only.

STEPPING OUT
In calendar 2016, 620 employees, representing nearly 100 teams, participated in a “Walk Across America” challenge. In total, our people logged nearly 150,000 miles over eight weeks from walking, running, and a host of other activities.
Health and Safety

Keeping our employees safe on the job is a top priority for us. Over the years, we have seen significant improvements in the rate of on-the-job injuries and accidents.

Since fiscal 2013, we have seen a 66% reduction in the Total Recordable Incident (TRI) rate that we report to the U.S. Occupational Safety and Health Administration (OSHA). Our Days Away Restricted or Transferred (DART) rate has fallen by a substantial 71%. For many years, we aimed to have our manufacturing plants obtain injury incidence rates below the industry average. But that bar wasn’t high enough. We now aspire to what is considered world-class safety standards, with injury rates below 1.0 for TRI and 0.5 for DART by 2020.

Much of our success to date can be attributed to the culture of safe behavior that we have promoted across our organization. We reinforce that employees have responsibility for their own safety and that of their co-workers. Our safety aspiration emphasizes empowerment, collaboration, accountability, and improvement. We follow a three-pronged approach that focuses on behavioral improvements, engineering solutions, and compliance, with safety culture underlying it all.

Behavioral safety observational programs emphasize positive behaviors and provide constructive feedback for those who deviate from our strict safety protocols. By working proactively, we hope to address at-risk behaviors before they become problems. Supervisory observations and peer-to-peer observations, which are performed by hourly employees on a rotational basis at all of our manufacturing sites, help to improve accountability and leadership on safety issues. We want our employees to be able to tell each other when they are performing at-risk tasks — or, on the flip side, to praise each other when they have taken steps to improve safety for themselves or for others.

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### EMPLOYEE SAFETY *,**

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<th>FISCAL 2014</th>
<th>FISCAL 2015</th>
<th>FISCAL 2016</th>
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<td>Injury severity (Days Away Restricted or Transferred, DART) rate</td>
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<td>Industry TRI rate***</td>
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<tr>
<td>Occupational fatalities</td>
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</table>

* Includes all company data for manufacturing and non-manufacturing sites.
** Numbers for DART and TRI for 2014 and 2015 have been adjusted slightly since our last report.
*** Industry data for 2016 were not yet available at time of publication.

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18,952 peer-to-peer safety observations in 2016
27,157 supervisory safety observations in 2016
Every company aspires to have zero on-the-job injuries. But it can be an elusive goal, particularly in manufacturing. In July 2016, we saw that zero isn’t just aspirational. For an entire month, we did not have a single recordable injury among any of our 3,000 employees at our manufacturing plants. Even more remarkable, this occurred during a month when we typically see a spike in injuries. (Injuries in July and August tend to be higher than in other months, even though production volume is generally lower.)

We believe our peer-to-peer evaluation program played a large role in helping us achieve this milestone. To celebrate our accomplishment, we made shirts for all manufacturing employees. The slogan on the front: Zero Is Possible!
Health and Safety Management

We recently reorganized our facilitywide Safety Council to become the Environmental, Health & Safety (EH&S) Council for manufacturing. This group now sets strategy for our safety and environmental programs, allowing us to look at people safety and environmental safety through one lens. The EH&S Council, which comprises about 50 members from all facets and levels of our operations, including senior management, plant directors, and other safety professionals, meets quarterly. Read more in the Operations section.

In fiscal 2016, we filled all open full-time health and safety positions, including five newly created safety roles. We believe this will help us reduce injury rates even further, particularly in Canada, where we have a relatively high injury rate among our team of drivers who make deliveries through our coffee services department.

We have about 30 EH&S professionals who work closely with each manufacturing site to train staff and implement new strategies. In addition to the facilitywide EH&S Council, each manufacturing site has an EH&S steering team and safety committee to drive safety improvements. Safety is a component of our performance management goals for all manufacturing employees.

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

KEURIG GREEN MOUNTAIN SAFETY ASPIRATION

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

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

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library of more than 250 courses that contain safety and quality training for our U.S. and Canadian employees.

In fiscal 2016, our people logged approximately 43,000\textsuperscript{16} hours in safety training. We accomplished this through a dynamic safety training platform that provides a platform for industry standard and custom company application education, training, and testing on workplace, food, and environmental safety.

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

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

In 2017, we will continue to focus on reducing the rate of injuries logged in our Canadian truck fleet, as it has one of the highest risks for injury. Unlike the United States, our Canadian operations maintain its own group of about 350 delivery drivers who log more than 6 million miles on the road every year.

\textsuperscript{16} We recently discovered an error in data collection, requiring us to adjust the number of hours we report for safety training. The 2016 number, which is accurate, represents about half of what we reported in prior years.

CASE STUDY: EVALUATING THE “WHAT IF” SCENARIOS

We call them SIFs — an abbreviation for “serious injuries or fatalities.” These aren’t actual injuries: They are the near misses.

It’s obviously important for us to learn from each and every on-the-job accident that results in an injury. But we believe it’s equally important to study those incidents that could have had serious consequences but did not. For several years now, analyzing these “what if” scenarios has been an essential element of our health and safety management.

Let’s say, for example, a forklift truck in a production plant backs into a racking system, but no one gets hurt and no equipment or products are damaged. Nonetheless, we require that our employees log this episode as a SIF so we can investigate and understand what happened. Just one small shift in one direction and that racking system could have collapsed on an employee, causing serious injury. Or that truck could have careened into an employee walking nearby. The goal is to imagine what might have occurred so we can put in systems to prevent dangerous scenarios.

Getting employees to report the SIFs has been one of the cultural changes we had to instill. “The absence of an injury doesn’t mean there aren’t any risks,” said John McNamara, Senior Manager for Multi-site Safety. “We’ve had to create a different mindset for what is the potential for injury versus what are the actual injuries. That takes time to develop.”

We’re now starting to see some strong results through this program. Between fiscal 2013 and 2015, we logged about 100 SIFs a year. In fiscal 2016, we had about 60, a sizeable reduction. We believe our peer-to-peer observations — nearly 19,000 such observations in fiscal 2016 alone — have helped accelerate that reduction.
Volunteering in Our Communities

Volunteerism is a cornerstone of our Company’s culture, frequently cited by our employees as a meaningful part of their work. Our Community Action For Employees program — better known as CAFE — entitles every full-time Keurig employee to 52 paid volunteer hours annually.

Our employees volunteer time in their communities for a wide range of activities that are meaningful to them, from cleaning up beaches and rivers, to planting gardens, to organizing and distributing food at food banks. Many employees volunteer on projects supported by the Company through our community investments and product donations, which often leads to multi-faceted and deeper relationships with local nonprofit organizations.

For 12 years running, Keurig has conducted employee river cleanups. In 2016, 474 employees gathered to remove 23 tons of trash from our waterways — including 372 tires — and plant 235 trees.

In fiscal 2016, 55% of our total workforce — based on the average number of full-time employees for the year — participated in one of our volunteer programs, for a total of nearly 57,000 hours volunteered. We’re proud that so many of our employees choose to participate in our Company’s volunteer efforts. By comparison, the average rate of participation in paid employee volunteer programs at other companies is just 30%.

17 2015 survey of 271 companies by the Committee to Encourage Corporate Philanthropy.
Volunteer Projects
Wherever possible, we encourage employees to use their professional skills to make a difference in their communities. For example, in fiscal 2016, tech-savvy employees began volunteering with the Burlington, Vt., nonprofit Technology For Tomorrow, which teaches senior citizens and other community members how to use the internet, smartphones, and other technology.

With all volunteer projects, we seek to partner for mutual success. We also look for opportunities to strengthen relationships. From getting to know the nonprofits driving change in our communities to using volunteering as a team-building opportunity, we believe that community impact is all about fostering understanding and encouraging partnerships. In fiscal 2016, our business development team in Burlington, Mass., came together to support Mission of Deeds, a local nonprofit that delivers secondhand furniture to those in need. In the words of Kristine Kao, a Keurig business analyst: “Nothing builds teamwork like trying to navigate large furniture items into homes!” Similarly, our technology team spearheaded a volunteer initiative to restore and rebuild Castle in the Trees, a beloved neighborhood park in nearby Littleton, Mass. The technology team recruited colleagues to participate, and a total of 67 employees worked on the park for five days.

SUPPORTING LOCAL FOOD SYSTEMS
Santropol Roulant is a Montreal-based nonprofit that brings people together around growing, cooking, and sharing food. Many employees at our Montreal office are interested in local food and supporting food security in the community, so Santropol Roulant was a logical partner. The organization is especially focused on making produce available to people of all income levels through programs such as Meals on Wheels and community-supported agriculture (CSA) boxes, which are priced on a sliding scale.

Keurig, a financial supporter of the organization, has donated more than $76,000 over the years. Keurig employees also participate in hands-on learning, such as visiting the organization’s farm. Santropol Roulant believes that by educating people in the community, it can spread awareness about how strong local food systems support food security.

Santropol Roulant farm manager with a CSA box. Keurig employees who purchase the CSA boxes at full cost help support the program for those who buy them on a sliding fee scale.
Employees in our Knoxville, Tenn., office found a meaningful opportunity to spread joy among those recovering from serious illness. Local organization Random Acts of Flowers accepts donated flowers from weddings and other events, delivering them to patients in hospitals who could use an emotional boost. As part of our Week of Service, Keurig employees arranged and delivered 1,500 bouquets.
COMMUNITY PARTNERSHIP: SECOND HARVEST FOOD BANK OF EAST TENNESSEE

In the eastern part of Tennessee, where our Knoxville facility is located, one in five people is at risk of hunger. We partner with the Second Harvest Food Bank of East Tennessee, which serves more than 500 local food banks and other hunger nonprofits across 18 counties. In this multifaceted partnership, Keurig provides an annual grant, product donations, event sponsorship, and employee volunteer opportunities. Second Harvest also distributes our donated coffee to local hunger nonprofits where we’ve previously donated brewers, supplying more than 10,000 cups of coffee in fiscal 2016 alone.

Our employees volunteer in a variety of ways with Second Harvest, including the Food for Kids backpack program, which provides elementary school children with backpacks of food for weekends and school breaks. Our fiscal 2016 donation of $10,000 supported 100 students at three local elementary schools for the 2016–2017 academic year. We bring the food to our Knoxville facility and employees pack it on-site. Our facilities department is especially dedicated — the entire 37-person team volunteered this past year to pack more than 6,500 bags with food and distribute them weekly to the schools. Since fiscal 2010, we’ve contributed more than $62,000 to Second Harvest.

“Keurig and Second Harvest ensure a brighter future for our community by preventing the ache of hunger in children, letting them focus on the lessons at hand.”

– ELAINE STRENO, Executive Director, Second Harvest Food Bank of East Tennessee
In fiscal 2016, we extended our relationship-based approach to volunteerism to include our suppliers by offering a volunteer component at our Top 100 Supplier Conference. Suppliers and Keurig employees joined forces to create bags of goodies for low-income children supported by the Massachusetts nonprofit Cradles to Crayons.

Encouraging Action

In Canada, we foster employee volunteerism through our CAFE Ambassadors program. Employees across all departments and major sites nationwide are elected and trained to serve as ambassadors for our community relations and volunteerism efforts, encouraging their colleagues to get involved. We’ve heard from CAFE Ambassadors that it’s a fun, rewarding part of their job. They’re proud to be ambassadors not only to their colleagues, but also for Keurig in the community.

To ensure that CAFE Ambassadors are allocated time out of their busy workdays to coordinate volunteer opportunities, we include the role in their performance plans. This means that CAFE Ambassadors not only get to share their enthusiasm for volunteerism with colleagues, but they can also see benefits to their careers. The role is part of a CAFE Ambassador’s official job duties and enables leadership development.

In the United States, employee engagement committees, which are present at each facility and office, help organize employee volunteer opportunities.

Another component of our volunteerism programming, Dollars-4-Doers, recognizes employees who volunteer at least 25 hours per year (outside of normal work hours) with one organization. Keurig contributes $250 to that organization on the employee’s behalf. We also match individual employee donations to charitable organizations at 100% (up to $1,000 per fiscal year). In fiscal 2016, we contributed more than $169,000 through these programs.

Product Donations

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

For the past three years, Keurig employee and CAFE Ambassador Charles Gadbois has led 60 colleagues in making a meaningful impact in the lives of disadvantaged elementary school students in Montreal. In Canada, one in five children experiences a lack of access to nutritious food; unlike in the United States, however, public schools do not typically provide breakfast to disadvantaged students. Breakfast Club of Canada steps in to fill the gap, enlisting volunteers to prepare and serve breakfasts at schools.

Every Tuesday and Thursday, six Keurig volunteers serve up to 300 breakfasts at two different elementary schools that are near our Montreal plant and corporate office. Employees dish out hot breakfasts, from pancakes to scrambled eggs to waffles, and enjoy chatting with the kids as they start their days. Gadbois has also developed relationships with the school principals beyond the Breakfast Club and coordinates Keurig volunteers to participate in other projects.

As a territory sales manager for Montreal, Gadbois travels all over the city to work with our retail and grocery clients. He says customers are excited to learn about Keurig’s partnership with Breakfast Club of Canada. “For me, it’s really important to be able to give back to people that don’t have the same advantages in life,” Gadbois says. “Sharing with and investing in our kids is important.”
SPOTLIGHT: SERVING MEALS TO THE HOMELESS

There are an estimated 3,000 people living on the streets of Montreal. CAFE Ambassador Julie Arcand, a Keurig accounts manager, wanted to do something to help and began volunteering to serve dinner at Accueil Bonneau, a homeless services organization. Arcand was inspired by Accueil Bonneau’s approach and history: The organization has been providing meals, training, counseling, and more to Montrealers since 1877. Volunteers are crucial to Accueil Bonneau’s meal program.

As a CAFE Ambassador, Arcand shared the volunteer opportunity with her colleagues and created a formal partnership between Keurig and Accueil Bonneau. In fiscal 2016, about 48 employees volunteered at the organization, contributing 500 hours of CAFE Time.

"Once my colleagues saw what Accueil is doing, they were moved by the organization’s compassion and wanted to help,” she says. The volunteer project has the added benefit of helping employees understand the causes, misconceptions, and solutions related to the complex issue of homelessness.

Arcand is passionate about her role as a CAFE Ambassador, saying: “I feel very grateful to participate in the program. It’s amazing to help people get involved in causes that resonate with them on a personal level.”

“We are very thankful for the support and compassion that CAFE volunteers bring to the people we help every day. An organization like ours would not function without the help of organizations like yours. Your smiles give warmth and hope to a better future.”

– AUBIN BOUDREAU, Executive Director at Accueil Bonneau
In fiscal 2016, we continued our relationship with Holy Joe’s Café, which sets up cafés on military bases in combat zones and keeps them stocked with coffee. We began partnering with the nonprofit organization in 2007 and have since provided thousands of pounds of coffee to U.S. bases to be served at Holy Joe’s Cafés and military hospitals. In fiscal 2016, Keurig provided more than 1,000 pallets of product, or approximately 1 million K-Cup® pods, to bases in 42 different countries served by Holy Joe’s Cafés.

Keurig responds to natural disasters in our areas of operations with cash and in-kind donations. In 2016, we also set up 24-hour coffee stations, staffed by our employees, to support disaster relief personnel responding to Tennessee’s Great Smoky Mountains National Park wildfire and Hurricane Matthew in Virginia.

“Serving coffee last week was a humbling experience. People gathered around to talk and share their stories. We cried, laughed, and smiled. After sharing his story, one gentleman told us, ‘This cup of coffee is the best cup I’ve ever had, and I haven’t even taken a sip yet. Thank you for listening.’”

— ELIZABETH DERWORT, Keurig volunteer