



# BEYOND THE CUP

SUSTAINABILITY REPORT **EXECUTIVE SUMMARY** FISCAL 2014

**KEURIG**  
GREEN MOUNTAIN

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**Welcome to our Fiscal 2014 Sustainability Report Executive Summary.** At Keurig Green Mountain, we have blended the disruptive innovation of a leading-edge technology company with the consumer focus of a socially conscious, premium beverage company. We're proud of our integrity, innovation, and growth over more than three decades. We aim to "brew a better world," using the power of business to make the world a better place.

We believe in doing business with a purpose, and Keurig Green Mountain has been socially minded since our founding more than 32 years ago. In recent years, we have worked to align and integrate our sustainability strategies more directly to our business strategies and priorities. We now have a singular, cohesive approach to running our Company in the most responsible way. While this isn't an entirely new approach, it is now both explicit and formalized, allowing us to focus on the areas where we can make a unique contribution and have the biggest impacts.

Our culture of innovation is reflected in our efforts, particularly as we push toward our 2020 targets. This past year, we have been integrating sustainability and accountability throughout our business so we can involve all of our people in our strategy.

We're proud of where we are and even prouder of where we are going. We know this is a journey, and we'll get there in the same way in which we have built our business — by getting a little bit better each day.



## OUR 2020 WATER BALANCE TARGET

With this report, we are announcing a new 2020 target to balance, ounce for ounce, the water used in all our beverages. In other words, for every cup our consumers brew, we will restore the same amount of water for natural and community uses. We are developing quantifiable projects in North America with an emphasis on those that build or promote natural water management infrastructure, provide source water protection, and restore river and streambank zones and urban waters.



# Brewing a Better World

Water resource issues are complex and require collective action. Over two days in September 2014, Keurig Green Mountain convened more than 130 leaders from the private, public, and NGO sectors. The summit, *CURRENT: Collaborating for a Water-Secure World*, sought to identify opportunities to overcome barriers and collaborate on solutions, generating conversations at the intersection of water, innovation, and learning.

➤ By 2020, 100% of K-Cup® packs will be recyclable. We're taking a holistic approach to the challenge and are working toward a solution that will work in the real world.

#### **TOWARD A RECYCLABLE K-CUP® PACK**

Addressing the environmental impact of our Keurig® beverage systems, while continuing to deliver extraordinary beverages, is a critical priority for us. Through our Vue®, K-Carafe™, and Bolt® packs, we are giving our customers and consumers greater flexibility and more recyclable options than ever before. However, our K-Cup® packs are not currently recyclable. We intend to fix that.

Two things prevent today's K-Cup® packs from being recyclable. First, the plastic cup must be separated from the lid and filter in order to empty the cup and recycle the plastic. Since the filter is sealed to the plastic cup, it makes separating the lid, filter, and cup difficult. In addition, the filter material is a blend of natural fibers and plastic, which prevents it from being recycled conventionally. We're actively evaluating product development solutions and conducting tests to find a recyclable design that meets all the requirements of our brewing system.

Designing a recyclable K-Cup® pack is only part of the solution. Local recycling options also need to be available, and there must be a demand for the recycled material. We're collaborating with the recycling community and our partners to ensure that our new K-Cup® pack design isn't just recyclable in theory, but can also be effectively recycled in the majority of communities. We're also supporting efforts to expand the recycling infrastructure so more materials can be conveniently recycled in more locations.

We are pursuing multiple avenues to achieve our target, including product design, recycling infrastructure, and end-market development. This is a complex issue with many challenges, and we cannot address all of them on our own. Partnerships will be key. Among them, the Closed Loop Fund will provide essential investments required to meet some of the larger challenges to recycling access in the United States.

We have a lot to accomplish over the next few years. Along the way, we will be transparent about our progress and the challenges and opportunities in front of us.

#### **KEURIG® PORTION PACKS**

##### **K-Cup® Pack**

- Released 1998
- For Keurig® and Keurig® 2.0 brewers
- Will be recyclable by 2020 in the majority of communities in the United States and Canada.

##### **Vue® Pack**

- Released 2012
- For Vue® and Keurig® 2.0 brewers
- Recyclable in the majority of communities in the United States and Canada.

##### **K-Carafe™ Pack**

- Released 2014
- For Keurig® 2.0 brewers
- Recyclable in the majority of communities in the United States and Canada.

##### **Bolt® Pack**

- Released 2014
- For Bolt® brewers
- Recyclable in the majority of communities in the United States and Canada.

## A COMPLEX SYSTEM

Effective recycling is complex. We are working across the system — from design through end-market demand — to ensure used K-Cup® packs can find a new life.



### RECYCLABLE MATERIALS

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



### DESIGN FOR RECYCLABILITY

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



### COMMUNITY RECYCLING PROGRAMS

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



### MATERIALS SORTING

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



### END-MARKET DEMAND

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

For the most up-to-date information, visit [www.KeurigGreenMountain.com/Recyclability](http://www.KeurigGreenMountain.com/Recyclability)



## » Our water commitment goes hand-in-hand with our commitment to create products that help consumers use water smartly.

### OUR CHALLENGE, OUR OPPORTUNITY

Water is essential to all life on earth. It is critical to the health and vitality of individuals, communities, and nations, sustaining livelihoods all around the globe. Water is also a fundamental input across our value chain. Our core agricultural ingredients — coffee beans, tea, and cocoa — for example, require clean, fresh water to grow. And our Keurig® brewing system uses water to produce each cup — an estimated (and growing) 370 million gallons<sup>1</sup> of beverages annually.

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

For decades, our Company has been known for the work we are doing within our coffee-growing communities, helping farmers become more resilient and improving livelihoods. Addressing water challenges has been an integral part

of our approach as we established the direct connection between farmer livelihoods, climate resiliency, and water and food security. More recently, we have taken a closer look at water impacts across our entire value chain — from source to consumption, including our direct use.

### OUR APPROACH

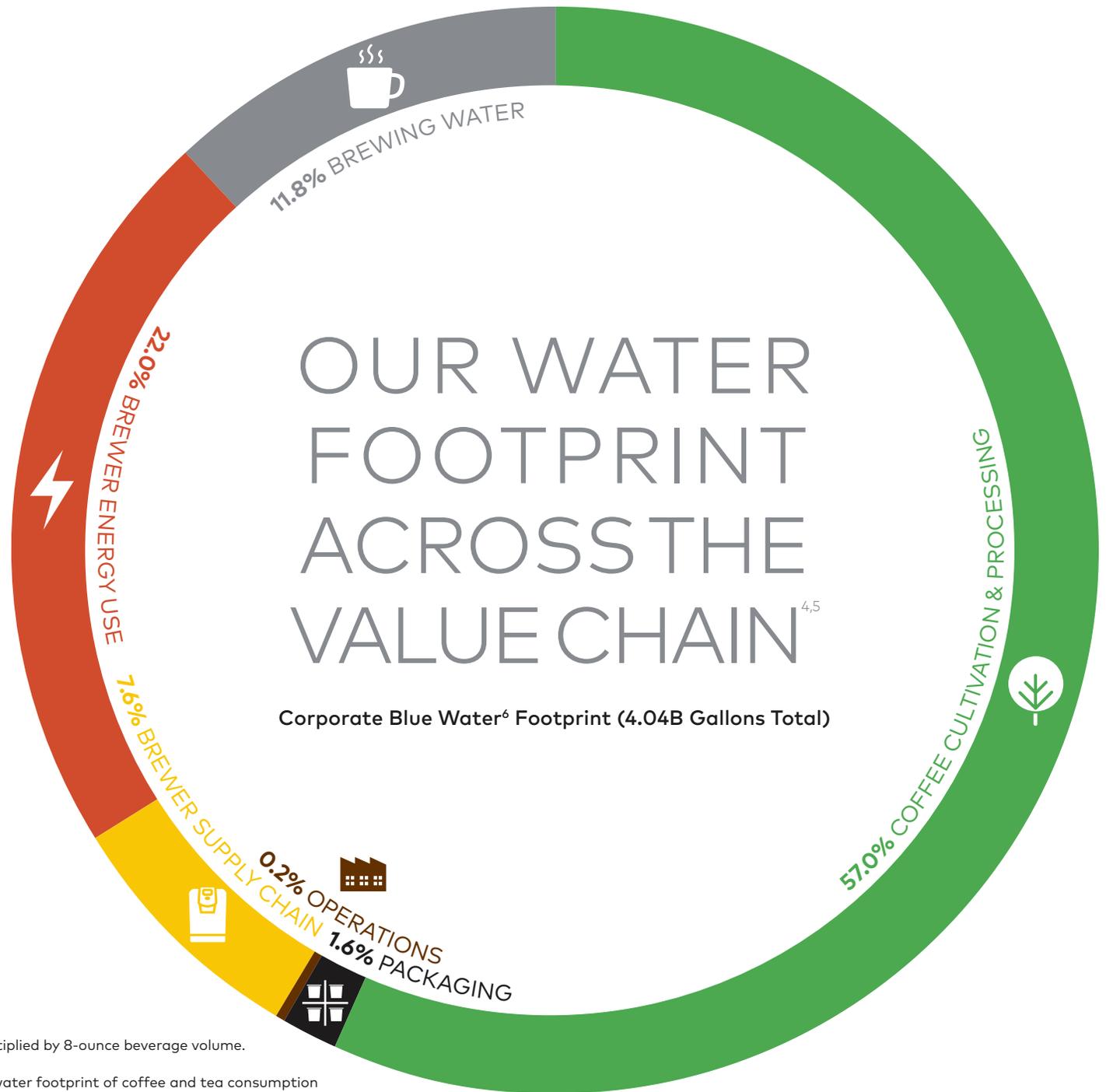
Our approach to water stewardship aims to be both responsive and restorative. We intend to **optimize** resources through efficient use of water in our own operations; **balance**, ounce for ounce, the water used in all our beverages through projects that restore an equal volume of water for natural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

We believe our holistic approach to water — starting with our support of the Human Right to Water and ranging from direct investment in water partnerships to product development and water balance in relevant communities — will not only bring benefits to the world, but will yield benefits for our business, too.

## 12%-15%

On average, about 12% to 15% of home- and office-brewed coffee is wasted.<sup>2</sup> When considering the water required to grow, process, and brew the coffee beans for an 8-ounce cup of coffee, brewing only one beverage at a time as needed with the Keurig® hot platform could save about 6.6 gallons of water over making a full pot of coffee.<sup>3</sup>

In early 2014, we conducted a comprehensive water footprint of the value chain related to the creation and use of our coffee portion packs. The findings indicate that we are not a large direct consumer of water and that the brewers we make actually promote water savings.



<sup>1</sup> Estimated based on 2012 K-Cup® pack sales multiplied by 8-ounce beverage volume.

<sup>2</sup> Keurig/Godfrey Study Waste Coffee, May 2009.

<sup>3</sup> Chapagain, A.K., and Hoekstra, A.Y. (2007) The water footprint of coffee and tea consumption in the Netherlands, *Ecological Economics* 64(1): 109-118.

<sup>4</sup> The distribution phase accounts for 0.0% of blue water consumption.

<sup>5</sup> Percentages do not total 100% due to rounding.

<sup>6</sup> Blue Water = Surface or groundwater consumed.

» In fiscal 2014, we advanced key sustainability areas that define our Company and shape our global influence. We create resilient supply chains. We innovate for sustainable products. And we develop thriving people and communities.

#### RESILIENT SUPPLY CHAIN

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

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

We work to build resiliency in communities where we source or manufacture our products. In our coffee-growing communities, we are focusing

our work on the development of strong rural organizations, whole-farm production practices that include food security, and climate and water-smart agriculture.

We continue to integrate supply chain outreach and responsible sourcing practices into our overall business strategies and functions. In early 2014, we released an updated version of our Responsible Sourcing Supplier Guidelines and worked to communicate them across our supply chain. The guidelines underpin our efforts to help our suppliers meet our high standards for quality, safety, and social and environmental responsibility.

Through our guidelines, supplier assessments, collaboration initiatives, outreach programs, and a drive to make sustainability everyone's job, we are making progress every day toward building a more resilient supply chain.

#### REVISED 2020 TARGET

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



**\$1.9M**

Our three-year pledge to the Coffee Farmer Resilience Initiative provides aid and support to farmers who have lost their crops to coffee leaf rust disease.

#### **SUSTAINABLE PRODUCTS**

We believe that our products can be designed, sourced, and manufactured in ways that are good for people and good for the environment. We have been developing a product stewardship framework and decision-making tools to guide our innovation and help us minimize the environmental impact of our products while maximizing value for our consumers. This discipline is a natural outgrowth of our values, and we believe that introducing more rigor around sustainability issues at each decision point will strengthen our product development process.

We strive to use resources efficiently in our operations and reduce our environmental impacts. During fiscal 2014, we conducted enterprise greenhouse gas (GHG) and water footprints to help us evaluate our impacts across our value chain. We found that brewer energy use in homes and offices is the largest contributor to our GHG footprint (55.1%), followed by our brewer supply chain, and then coffee cultivation and processing.

We're aiming to have reduction plans in place by the end of fiscal 2015 so we can achieve our 2020 target of reducing life-cycle GHG emissions of brewed beverages by 25%.

#### **THRIVING PEOPLE & COMMUNITIES**

Keurig Green Mountain has a rich history of creating positive and sustainable change in the places where we operate. We strive to make a difference on important social and environmental challenges, while encouraging our employees to connect more deeply to these issues and with their communities.

We provide our people the opportunity to be inspired and to inspire others every day. Our talented and innovative team members are passionate about their work, enjoy giving back to their communities, and are helping us make progress toward our ambitious 2020 sustainability targets.

We believe that being a good neighbor generates value for our Company, for our employees, and for our local communities. We engage with and support local organizations and nonprofits through community investments, product donations, and volunteer efforts.

Our unique Community Action For Employees program — better known as CAFE — entitles every full-time Keurig Green Mountain employee to 52 paid volunteer hours each year. In fiscal 2014, more than half of all employees participated in volunteerism opportunities.

#### **CONSUMER ENGAGEMENT**

We are committed to engaging with consumers about our sustainability efforts, and in fiscal 2014 we concentrated especially on raising consumer awareness about water issues. The "Double Your Impact" campaign with charity: water, for example, resulted in more than \$1.9 million from Keurig Green Mountain and individual contributions to support clean water projects in Ethiopia.

# PROGRESS TOWARD OUR SUSTAINABILITY 2020 TARGETS



## Revised Target



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

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



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

**64%** Coffee traceable to source.  
 → Responsible Sourcing Supplier Guidelines established and published.



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

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



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

**4%** Coffee roasting energy reduction in fiscal 2014.  
 → Corporate GHG footprint complete.



In 2013, Keurig Green Mountain established an External Advisory Panel to engage stakeholders who could inform our strategic thinking on sustainability issues. This eight-member panel meets three times a year with Company leadership and advises on key aspects of our strategy and programs, acting as a valuable sounding board during a time of unprecedented growth and change for our Company.

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

— **Monica Ellis**, Collaborator and CEO,  
Global Environment & Technology Foundation,  
CEO Global Water Challenge



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

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



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

Project portfolio for balance target in development.

New Target



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

**72%** Surveyed employees who affirmed they are “able to bring our Company’s values to life in my everyday work.”

For more sustainability information, download our full report PDF, available on our website:

[www.KeurigGreenMountain.com/sustainability](http://www.KeurigGreenMountain.com/sustainability)

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