



BREWING
a better world

VOICES

Green Mountain Coffee Roasters, Inc.
Corporate Social Responsibility Report

FY '08



Executive Summary



Green Mountain Coffee Roasters, Inc. FY '08
Corporate Social Responsibility Report



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Our Vision & Commitment

September 2009



Dear Friends,

Our social and environmental initiatives over the past several years have focused on reducing poverty and hunger, and ensuring environmental sustainability. As you will read in this Fiscal Year 2008 Corporate Social Responsibility Report, we continue to work with people most directly affected by these issues in local and coffee-growing communities. Listening to the voices of people all along our supply chain — from “tree to cup” — we seek to learn, to understand, and to find long-term sustainable solutions to problems that exist in the places where we live and do business.

Our employees remain passionately involved in our shared effort to help brew a better world. In fiscal 2008, 44% of our full-time employees volunteered more than 6,200 hours to social and environmental causes. In addition to employee volunteerism programs, company-supported initiatives included:

- ✧ Continued development and marketing of Fair Trade Certified™ coffees (over 28% of our total specialty coffee sales);
- ✧ Giving over \$1.1 million in grants to local and coffee-growing communities;
- ✧ Reducing our total energy use in our Specialty Coffee Business Unit by 13% in FY '08 versus FY '07;
- ✧ Providing 49 hours of training, on average, to full-time employees in our Specialty Coffee Business Unit; and
- ✧ Finalizing plans to install a 100kW photovoltaic array (solar array) on the roof of our Waterbury, VT, distribution center.

One of our top challenges remains the environmental impact of our coffee packaging materials and brewing systems, including the K-Cups® used in our Keurig® Single-Cup Brewing System. This has always been a priority for us and the voices of a variety of stakeholders have confirmed that they would like us to lead the way with enhanced brewing systems and packaging materials which are friendlier to the environment and more sustainable. We have undertaken an in-depth Life-Cycle Analysis to understand and compare single-cup brewing versus drip brewing from a whole-system standpoint. We also continue to research and develop opportunities for more environmentally friendly approaches to both brewing methods. Importantly, we began converting all our Green Mountain Coffee® packaging film for drip-brewed coffee to at least 19% renewably sourced bioplastic, derived entirely from natural cornstarches.

To learn more about our successes and opportunities, we encourage you to dive into the details of our FY '08 social and environmental initiatives on the following pages and on our web site, www.BrewingABetterWorld.com. We sincerely hope that you will read this report in the spirit of the work we have been doing — with an intent to listen to and understand the voices that have informed our decisions and actions; with a mind engaged in the issues and problems of our local and supply-chain communities; with a determination to do our part to find and help implement solutions; and, above all, with hearts filled with hope for a better world.

As always, we invite you to add your “voice” by sharing with us your good ideas and fair criticisms. Only as we all engage in the issues and the effort to find solutions will we move forward in creating a more sustainable future.

Sincerely,

Bob Stiller
Chairman of the Board

Larry Blanford
President and CEO

Our Journey

September 2009



Dear Stakeholder,

Our enterprise experienced remarkable growth from Fiscal Year 2006 to Fiscal Year 2008. Net sales and income before income taxes more than doubled. Our philanthropic funding, which is at least 5% of our pre-tax earnings each year, followed suit. We increased our full-time employee base from 782 people to 1,152 people. We added two new production sites, one in Vermont and one in Tennessee.

By every measure, we are growing quickly.

Growth, as with any change in the status quo, generally triggers some amount of self-examination. How did we get here? Where are we going and how are we going to get there?

As a values-based business, we ask these same questions — and our commitment to social and environmental responsibility adds another layer to the process. How do we address the management of our ecological footprint while growing at these rates? How do we manifest our commitments across a growing family of brands? How do we maintain the best aspects of our corporate culture and welcome new ideas as we spread out across new geographies and welcome more and more people into our enterprise? It is more apparent than ever that we must continue to prioritize key sustainability opportunities and challenges alongside the demands of a fast-growing business.

Rapid growth presents us with tremendous opportunity in the area of social and environmental responsibility. As our enterprise grows, the resources we can leverage in service of our social and environmental mission grow as well. This means we have more funding available to support our grant-making, employee volunteerism, and in-kind donations programs. With more resources, we can explore and pilot additional new initiatives that will help us achieve our social and environmental goals.

As we grow, we are able to reach more people with our brands, products, and ideas. We are able to share our experiences with, and learn from, more people today than we could yesterday. Growth gives us the opportunity to bring more voices into the conversation we try to create every day about where we're going and how we're getting there. And that makes for a better result.

It is the voices of our stakeholders — *your* voices — that have helped us succeed so far. And it will be your voices, asking hard questions and encouraging us to make good choices that will help us continue to succeed together.

This document is a brief summary of the results of our social and environmental responsibility programs in FY '08. Please visit us at www.BrewingABetterWorld.com for a much more comprehensive presentation.

Thank you for taking the time to learn more about our company and our efforts to brew a better world. We invite you to join us on this journey.

Sincerely,

Mike Dupee

Vice President, Corporate Social Responsibility

About Our Company

Introduction

Our goal is to provide you with an extraordinary coffee experience that's environmentally sound, socially just, and undeniably delicious. By delivering the ultimate coffee experience, we hope to inspire others to view business as a partner and contributor in the global effort to create long-term solutions and sustainability for people and ecosystems worldwide.



Since 1981, we have been roasting the finest Arabica beans from coffee-growing communities around the world, creating award-winning blends that inspire and delight the senses.

Since 2006, we have been designing and producing the leading single-cup brewing system on the market, transforming the way great coffee is brewed and enjoyed by coffee lovers everywhere.

Our operations are managed through two Business Units. The Specialty Coffee Business Unit produces coffee, tea, and hot cocoa from its family of brands, including Tully's Coffee®, Green Mountain Coffee®, and Newman's Own® Organics coffee. The Keurig® Business Unit is a pioneer and leading manufacturer of gourmet single-cup brewing systems. K-Cup® portion packs for Keurig® Single-Cup Brewers are produced by a variety of brands licensed by Keurig, including Green Mountain Coffee, Tully's Coffee, Newman's Own® Organics, and others.

More than 3.6 million cups of Green Mountain Coffee were consumed. In the Keurig system broadly, over 2.7 million K-Cup® portion packs were brewed every day in FY '08.

We have been a publicly traded company since 1993 (NASDAQ: GMCR); our 5-year cumulative total return is 578%.*

We have been recognized as a leader in the specialty coffee industry for our award-winning coffees and successful business practices. Kenneth Davids, editor of the independent CoffeeReview.com, recently gave our Fair Trade Certified™ Kenyan Highland Cooperative coffee a 93 out of a possible 100 score, and we are the only company to be rated #1 on TheCRO.com's list of the 100 Best Corporate Citizens for two years in a row (#1 in 2006 and 2007, #2 in 2005, #5 in 2004, and #8 in 2003).

* \$100 invested on 9/27/03 in stock or on 9/30/06 in index-including reinvestment of dividends. Indexes calculated on month-end basis.



Enterprise Growth

	FY '06	FY '07	FY '08
Total coffee, tea, and hot cocoa pounds shipped - Specialty Coffee Business Unit (in thousands)	25,327	27,925	32,492
Total Keurig Brewers shipped (in thousands)	247	479	983
Total K-Cups shipped system-wide (in thousands)	448,840	637,823	1,012,356

Financial Performance (dollars in millions)

	FY '06	FY '07	FY '08
Specialty Coffee Business Unit net sales	207.6	242.0	320.1
Keurig Business Unit net sales	24.1*	134.8	253.6
Inter-company eliminations	(6.4)	(35.1)	(73.3)
GMCR net sales	225.3	341.7	500.3
GMCR net income	8.4	12.8	22.3
Total resources allocated to social and environmental programs	1.04	1.15	1.91
Total resources allocated to social and environmental programs as a percentage of pre-tax income	6.90%	5.30%	5.24%

* In FY '06, GMCR acquired all the outstanding shares of Keurig® Incorporated. Amounts presented for Keurig in FY '06 are for the period from the acquisition date of June 15, 2006, until September 30, 2006.

The Opportunity

There's no question that there are many opportunities for us to help make the world a better place:

- ✧ At least 80% of humanity lives on less than \$10 a day, and almost half — over three billion people — live on less than \$2.50 a day.¹
- ✧ Every year more than 10 million children die of hunger and preventable diseases — that's over 30,000 per day and one every 3 seconds.²
- ✧ If climate change trends continue as expected, by 2080, an additional 1.8 billion people could be living in regions where water supply is scarce, and the number of people affected by malnutrition could rise to 600 million.³

Over the years, we have worked hard to create positive and sustainable change consistently through both our business practices and community outreach. We have seen how our research and grantmaking in supply-chain communities has increased families' health and economic well-being. We've also seen how we can leverage our purchasing and partnering power with our suppliers to help improve working conditions and protect the environment. We work to provide sustainable employment and foster a dynamic, healthy, vibrant workplace. We are committed to reducing waste and using energy responsibly. And we have used our company's strengths in product development and marketing to build demand for sustainable products.

All these activities are united by our belief that what is good for the world is good for our business. Integrating our efforts to grow our business, improve quality of life, and care for the environment infuses our work with purpose and offers us a competitive advantage. And our business success enables us to invest in a more just and sustainable future — whether through sales of Fair Trade Certified™ coffee, energy and waste reduction programs, awareness building campaigns, new product development, employee benefits, projects in supply-chain communities, volunteerism, grants, or product donations.



All these activities are united by our belief that what is good for the world is good for our business. Integrating our efforts to grow our business, improve quality of life, and care for the environment infuses our work with purpose and offers us a competitive advantage.

Sources:

¹ www.globalissues.org

² 80 Million Lives, 2003 / Bread for the World / UNICEF / World Health Organization

³ United Nations Development Programme, Human Development Report 2007/2008

Our Purpose and Principles

We create the ultimate coffee experience in every life we touch from tree to cup—
transforming the way the world understands business.

✧ Appreciating Differences **Finding opportunity**

in conflict: Opportunity comes from welcoming different opinions and ideas with mutual respect.

✧ Business Success

Financial Strength: We deliver steady growth in share, sales, and profit. Financial strength benefits employees, stockholders, and communities worldwide.

✧ Communication

Open dialogue: In our thriving, healthy organization, we share information, ideas, and successes.

✧ Continuous Learning

For today and tomorrow: Our competitive strength comes from the continuous improvement of all that we do. We actively seek out and apply best practices.

✧ Decision-Making

At the most effective level: We make timely, informed, criteria-based decisions aligned with our business goals. Our decisions are made with personal commitment, ownership, and accountability.



✧ Ethics

Do the right thing: Integrity is the foundation of all our decisions, actions, and relationships.

✧ Leadership

At every level: We develop leaders that demonstrate a high level of competence, generate trust, and bring out the best in themselves and those around them.

✧ Partnerships

Success for all: We collaborate with our partners for mutual benefit. Our relationships are based on respect, honesty, openness, reliability, and trust.

✧ Passion for Coffee

From farmer to cup: We roast great coffees and are committed to ensuring that everyone who encounters Green Mountain Coffee has an outstanding coffee experience.

✧ Personal Excellence **Strong organizations rely**

on strong individuals: We are responsible to do our personal best for ourselves, our co-workers, and our company. Personal excellence is built on a high level of skills, knowledge, self-awareness, self-motivation, and respectful intentions toward all.

✧ Planning & Measuring **To understand and**

improve: We focus on integrated planning throughout the organization to align our strategies. We gain insights into our successes and challenges by measuring and evaluating the results of our actions.

✧ Shared Ownership **Thinking and acting like**

owners: We meet our commitments and appreciate the contributions of each other. We are stewards of our collective resources. We share equitably in our successes.



✧ Sustainability **Pathway to our future:**

We use resources wisely and make decisions that take into account the well-being of people, profit, and the planet.

✧ Vibrant Workplace **A place where you can**

make a difference in the world: We create and maintain a culture that fosters teamwork, fun, personal growth, career paths, financial rewards, and a healthy work-life balance.

✧ World Benefit **Creating positive change:**

We are a force for good in the world. We celebrate and support the power of businesses and individuals to bring about positive changes, locally and globally.

About This Report

This report covers Fiscal Year 2008, from September 30, 2007, to September 27, 2008 (FY '08). It includes data from previous years to provide historical context and it addresses our activities both in the United States and in supply-chain communities. Data cited will refer to FY '08 or the last day of FY '08 unless otherwise indicated.

During FY '09 and prior to the publication of this report, GMCR acquired the Tully's Coffee® brand and wholesale business. Due to the timing of the publication of this report, we included Tully's Coffee in our discussion of GMCR's family of brands, but GMCR did not own Tully's Coffee during the period of time covered by this report.

Our Corporate Social Responsibility programs are organized into six practice areas that span our value chain and communicated under the banner of "Brewing a Better World." The six practice areas are: Partnering with Supply-Chain Communities, Supporting Local Communities, Protecting the Environment, Building Demand for Sustainable Products, Working Together for Change, and Creating a Great Place to Work.

Social and environmental responsibility is overseen at the Board level by our Social and Environmental Responsibility Committee, a committee established in FY '08. Operationally, management of these issues is handled collectively by senior management. Issues are surfaced and assessed by senior management; then, goals are set at Enterprise and Business Unit levels, and filtered

down through departments to each individual employee through GMCR's Performance Management Process. Daily execution of social and environmental initiatives is led by Michael Dupee, Vice President for Corporate Social Responsibility and Paul Comey, Vice President for Environmental Affairs. Both Mr. Dupee and Mr. Comey report directly to Larry Blanford, President and Chief Executive Officer of GMCR. The Corporate Social Responsibility team consists of six individuals focused specifically on supply-chain outreach, domestic community outreach, social compliance, environmental management systems, and communication. Additional information regarding GMCR's overall corporate governance structure is available at www.gmcr.com/investors.

In FY '06, Keurig, Incorporated became a wholly-owned subsidiary of Green Mountain Coffee Roasters, Inc. For clarity in reporting, we will refer to the total enterprise as "GMCR" and to each business unit by name as either the Specialty Coffee Business Unit or the Keurig Business Unit. Data or text that is not designated as pertaining to either Business Unit may be assumed to pertain to GMCR.

For all references to a percentage of employees participating in certain activities, we use an average number of full-time employees within a fiscal year as the denominator in the calculation. Average number of full-time employees is calculated 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.

To frame this discussion, we used the 2002 guidelines of the Global Reporting Initiative (GRI, www.globalreporting.org). This will be our final report using the 2002 guidelines; for our FY '09 report, we will use GRI's revised guidelines, commonly referred to as the G3.

We have been a registered Organizational Stakeholder of GRI since July 2005, and support GRI's mission to develop globally accepted sustainability reporting guidelines through a global, multi-stakeholder process. We chose their guidelines for their general applicability and acceptance across industries. We believe that everyone benefits from generally accepted principles of measurement and comparison; GRI's guidelines serve this purpose.





We are working with GRI as a member of the Food Processing Sector Supplement Working Group to develop and publish a Sector Supplement to GRI's G3 Guidelines. The Food Processing Sector Supplement will address key issues common to all food processing organizations, as well as specific issues relevant to the processing of specific kinds of food.

Verification of the contents of this report occurred in the following ways:

- ✧ Audits of our financial statements, including the disposition of our philanthropic spending, by PricewaterhouseCoopers LLP.
- ✧ Verification of our Fair Trade Certified™ coffee purchases, provided by TransFair USA.
- ✧ Verification of our organic coffee purchases and production plant's organic status, provided by Quality Assurance International.
- ✧ Verification of our production plant's Kosher status, provided by Orthodox Union.

We engaged with Ceres and a team of external stakeholders to review this report. The Ceres stakeholder team is an independent group of individuals drawn primarily from the Ceres coalition and represents a range of constituencies that have expertise in environmental, social, and governance issues. In reviewing this report, the team considered whether the company adequately reported on its sustainability performance and key impacts, including goals, targets, systems, data, and initiatives. Through this review process, the Ceres stakeholder team provided feedback to the company, which was considered in the preparation of the final version of this report.

Ceres is a network of investors, environmentalists, and other public interest groups that works with companies and investors to address sustainability challenges (see www.ceres.org for more information). We joined Ceres in July 2005.



We welcome your feedback on this report and all our corporate social responsibility programs. Please contact Michael Dupee, Vice President of Corporate Social Responsibility at Michael.Dupee@GMCR.com with your comments, questions, and suggestions.



Partnering with Supply-Chain Communities

Helping to ensure a healthy and prosperous supply chain, from coffee-growing communities in Latin America, Indonesia, and Africa, to manufacturing operations in China – it's the right thing to do and it makes sense for our business.

This year, we expanded our efforts to foster sustainable business practices at every level of operations. We continued implementing our Set of Vendor Expectations, an initiative that clarifies our expectations for wages and benefits, labor rights, health and safety, and environmental responsibility in our supply chain. In coffee-growing communities, we deepened our commitment to health and economic self-sufficiency by using the results of current, on-the-ground research to guide our grantmaking.

FY '08 Where We've Been

- ✧ We continued our financial outreach to coffee-growing communities, making nearly \$850,000 in grants to support socially and environmentally responsible projects. We've made over \$2 million in grants to coffee-growing communities over the past 5 years.
- ✧ We conducted our first social and environmental audit using our new Set of Vendor Expectations at the Simatelex Manufactory Co., Ltd. (Simatelex) in Shenzhen, China. Simatelex manufactures all our Keurig Brewers.
- ✧ We made a five-year, \$450,000 commitment to help expand Porvenir Financiero (PorFin), Root Capital's financial and business training program for members and managers of rural producer cooperatives.
- ✧ We continued our work to understand and combat poverty and hunger in coffee-growing communities. In FY '08, we helped initiate a community-led project in Nicaragua focused on reducing and ultimately eliminating the impact of cyclical temporary food insecurity known as *los meses flacos* (the thin months), and we undertook additional diagnostics in Northern Peru, to identify and better understand the challenges faced by coffee-growing communities in that region.
- ✧ We funded two new initiatives in Africa, both of which will be implemented in FY '09. The initiatives include educational radio programming in Rwanda through the Freeplay Foundation, and the early detection of cervical cancer in Tanzania through Grounds for Health, in conjunction with the Jane Goodall Institute.

- ✧ We signed a Trademark Licensing Agreement with the Government of Ethiopia to officially recognize Ethiopia's ownership of its regional brands.
- ✧ We contributed an additional \$50,000 to the disaster relief fund we established at the Green Mountain Coffee Roasters Foundation in FY '07. We created this endowment so that we might have financial assistance ready for use in assisting coffee communities when a natural disaster strikes. With the FY '08 contribution, the balance of this endowment is currently \$100,000.

FY '09 Where We're Going

- ✧ We will work with Simatelex to understand and act on the results of the audit conducted in FY '08.
- ✧ Together with Simatelex, we will identify a new outreach initiative that will benefit their employee community in China.
- ✧ We will enlist the assistance of at least one large development organization and one university to help monitor and evaluate the impact of the strategies and tactics chosen to fight "los meses flacos."
- ✧ We will support a project in Northern Peru to help construct a model organic fertilizer plant replicable on a community scale and train coffee farmers on using compost to strengthen the soil and improve coffee yields.
- ✧ We will begin using the new trademark logo developed by the government of Ethiopia to help bring additional recognition to the fine coffees from the "birthplace of coffee" and increase our purchases and sales of Ethiopian coffees.



✓ Partnering with Supply-Chain Communities Scorecard

Purchasing

	FY '06	FY '07	FY '08
Fair Trade Certified™ lbs. (nonorganic) purchased	2,511,564	2,593,584	3,584,862
Fair Trade Certified™ organic lbs. purchased	8,058,912	6,988,374	9,111,840
All Fair Trade Certified™ lbs. (organic and nonorganic) purchased	10,570,476	9,581,958	12,696,702
Farm Identified lbs. (non-Fair Trade Certified™) purchased	4,514,500	3,356,406	3,510,874
Conventionally sourced lbs. purchased	16,788,168	20,196,666	24,443,562
Total coffee lbs. purchased	31,873,144	33,135,030	40,651,138
Fair Trade Certified™ lbs. (nonorganic) purchased as a percentage of total lbs. purchased	7.88%	7.83%	8.82%
Fair Trade Certified™ organic lbs. purchased as a percentage of total lbs. purchased	25.28%	21.09%	22.41%
All Fair Trade Certified™ lbs. (organic and nonorganic) purchased as a percentage of total lbs. purchased	33.16%	28.92%	31.23%
Farm Identified lbs. (non-Fair Trade Certified™) purchased as a percentage of total lbs. purchased	14.16%	10.13%	8.64%
Conventionally sourced lbs. purchased as a percentage of total lbs. purchased	52.67%	60.95%	60.13%

Pricing

	FY '06	FY '07	FY '08
Fair Trade Certified™ lbs. (nonorganic) - average price per lb.	\$1.53	\$1.53	\$1.84
Fair Trade Certified™ organic lbs. purchased - average price per lb.	\$1.72	\$1.74	\$2.07
All Fair Trade Certified™ lbs. (organic and nonorganic) purchased - average price per lb.	\$1.68	\$1.69	\$2.01
Farm Identified only - average price per lb.	\$1.41	\$1.41	\$1.75
Conventionally sourced - average price per lb.	\$1.32	\$1.32	\$1.64
Total coffee purchases - average price per lb.	\$1.45	\$1.46	\$1.76

Grantmaking

	FY '06	FY '07	FY '08
Total resources allocated to social and environmental programs (dollars in thousands)	\$1,041	\$1,150	\$1,910
Total resources allocated to social and environmental programs as a percentage of pre-tax income	6.90%	5.30%	5.24%
Total grant/matching donation resources (dollars in thousands)	\$685	\$700	\$1,155
Total grant/matching donation dollars to supply-chain communities (dollars in thousands)	\$374	\$443	\$864



Our Manufacturing Supply Chain

In FY '07, we began developing a set of tools and processes to help us communicate our expectations more clearly to our supply chain partners and understand how they approach issues of responsibility and sustainability in their businesses. Central to this effort is our Set of Vendor Expectations, guidelines that encourage sustainable business practices across our supply chain. Additionally, we have developed vendor self-assessments, surveys, and questionnaires and begun conducting both on-site assessments by GMCR staff, in cooperation with suppliers' management, as well as audits of vendor facilities. Working together with our supply chain, we can all become better citizens and more sustainable businesses by setting clear expectations, and identifying and correcting issues when they arise.

Simatelex manufactures all our Keurig Brewers - they operate three factories in Shenzhen, in the Guangdong province of China. In FY '08, we partnered with Simatelex to conduct our first social and environmental audit using our Set of Vendor Expectations at one of their factories. Prior to becoming part of the GMCR family, Keurig had selected Simatelex to manufacture Keurig Brewers because of the quality and reliability of their products, their in-house engineering expertise, and their ethical approach to business, so we had a foundation of trust to build on when we undertook the audit. Please see Working Together for Change, pg. 32, for more on our audit with Simatelex.

Working together with our supply chain, we can all become better citizens and more sustainable businesses by setting clear expectations, and identifying and correcting issues when they arise.

Our Coffee Supply Chain

In our coffee supply chain, our goal is simple: to help the people in coffee-producing communities lead healthier and more prosperous lives. Our outreach takes two forms. First, we provide on-the-ground assistance by helping our suppliers improve their ability to deliver high-quality specialty coffee to the marketplace, whether through advice on cultivation techniques, training on cupping skills, or connecting them with industry resources to help them strengthen and grow their business. Second, we provide financial grants to nonprofits that have both the technical skills and the on-the-ground connections to help coffee-growing communities chart their own course towards a more sustainable future.



To learn more about our grantmaking guidelines or to apply for a grant go to: www.gmcr.com/coffee-communities

Fighting Poverty and Hunger in our Coffee Supply Chain

In 2006, we launched an initiative to fight poverty and hunger in our coffee supply chain in partnership with the Sustainable Food Lab, the International Center for Tropical Agriculture (CIAT), and other stakeholders in our supply chain.

In the summer of 2006, a team of CIAT researchers visited coffee-growing communities in Guatemala and Mexico and conducted participatory group interviews to begin identifying ways of measuring poverty and hunger in these communities. In each interview, groups of small-scale coffee farmers were asked about sources of income in “good” and “bad” years, uses of income in “good years”, and top concerns in both coffee production and their community. Two indicators emerged from this work:

- ✧ Farmers’ ability to stay on his/her farm (i.e. not leave to seek other employment or income-generating opportunities).
- ✧ Farmers’ ability to reinvest in their enterprises.

In 2007, we returned to these communities and visited additional coffee-growing communities in Nicaragua to both test and refine the proposed indicators through a defined interview process and develop a database that would track changes in those indicators over time. However, the new set of interviews surfaced the pressing issue of cyclical and temporary food insecurity, indicating that a high percentage of those interviewed suffered from food insecurity for two to seven months out of a year. This period of time generally starts a few months after the coffee harvest — families’ earnings from coffee have been largely depleted and the prices of corn and beans, two staples in the diet, are cyclically high. Families cope by eating less, eating less expensive (and usually less healthy) foods, or by borrowing against future earnings to make ends meet. This period of insecurity is commonly referred to in these communities as *los meses flacos*, or the “thin months.” We knew very little about this silent and nearly invisible phenomenon and resolved to do something about it.

First, we reevaluated our criteria for making grants in coffee-growing communities, clarifying our intention to fund work with direct impact on the ground in the areas of human and economic development.

Second, we reached out into our supply chain to offer our support to help fight the thin months and hopefully end them. To date, we have facilitated efforts in four

countries and hope to replicate this approach throughout our coffee supply chain.

Here’s what we did in FY ’08:

- ✧ In Mexico, we partnered with the CESMACH cooperative in Jaltenango, Chiapas, to deliver over 1,000 fruit trees to over 200 cooperative members. The trees will help them both diversify their income sources and provide additional sources of food and nutrition. We have committed \$65,842 in funding over 3 years to support this project.
- ✧ In Nicaragua, we partnered with the CECOCAFEN cooperative to coordinate a strategic summit with community members, cooperative management, agronomists, and local nonprofits. Out of the summit, two strategies emerged: crop diversification (to provide additional income and additional sources of food and nutrition) and the growing and storage of basic grains, based on a revolving credit program. We have committed \$164,000 in funding over 3 years to support this project.
- ✧ In northern Peru, we collaborated with CIAT again to conduct community-based research on the thin months. In contrast to results elsewhere, we found that these communities do not suffer from food insecurity. Instead, their greatest challenge is “tired” soil — the cost of organic fertilizers has increased and farmers are struggling to maintain yields. In FY ’09, we intend to help develop a project in this part of Peru to help them refresh the soil, and improve their yields, and ultimately, their quality of life.
- ✧ We approved funding to support two graduate fellowships under the supervision of Dr. V. Ernesto Mendez, Ph.D., Assistant Professor of Agroecology and Environmental Studies at the University of Vermont. These graduate fellows will contribute research in coffee-growing communities focused on livelihoods and help us with our growing need for independent monitoring and evaluation of its projects, particularly the food security project in Nicaragua. Preference will be given to students from coffee producing countries and the students will spend up to 6 months in coffee producing communities where GMCR is implementing programs, to monitor and evaluate the projects. We have made an initial commitment of \$105,000 over three years to this Fellowship program.

Key Supply-Chain Partnerships

Here are our major initiatives and partnerships.

Learn about all our grantmaking activities at > www.gmcr.com/coffee-communities



Root Capital

www.rootcapital.org

Sustainable coffee production requires both access to credit and the ability to manage finances. Unfortunately, affordable credit and education are not easy to come by in most coffee-growing communities. Root Capital is pioneering finance for grassroots businesses in rural areas of developing countries by providing capital, financial education, and market connections to small and growing businesses that build sustainable livelihoods and transform rural communities in poor, environmentally vulnerable places. By providing small-scale coffee farmers with affordable credit and financial education, Root Capital has been a key link in our supply chain for over eight years.

FY '08 Highlights:

- ✧ We converted an outstanding \$100,000 loan to Root Capital permanent working capital (thereby enabling them to attract more unrestricted capital as well).
- ✧ At the Clinton Global Initiative meeting in September 2008, we announced a five-year, \$450,000 commitment to help expand Porvenir Financiero (PorFin), Root Capital's financial education and training program for leaders of rural producer cooperatives. This grant, our largest to date at the time of its announcement, embodies our long-term commitment to coffee-growing communities.

Highlights from the PorFin program include:

- ✧ Delivery of 120 workshops with cooperative leaders throughout Latin America, covering topics such as internal credit management, financial management, training of trainers, business basics, financial operations, organizational management, and strategic planning, reaching over 13,000 coffee farmers.
- ✧ Certification of 45 trainers to provide financial literacy courses.
- ✧ Training of 55 producer organizations for training and assistance in developing action plans to implement improvements such as automated accounting systems, preparation and use of basic quarterly financial statements, and formal production planning.



Grounds for Health

www.groundsforhealth.org

Grounds for Health (GFH) is an international nonprofit organization that provides health care to women in coffee-producing communities. GFH's mission is to create effective, sustainable cancer screening and treatment programs for the women who need it most – those without access to health care. Its primary focus is on the early detection of cervical cancer, a leading cause of cancer deaths among women in developing countries – including those that produce coffee.

Grounds for Health currently works in the coffee-growing regions of Mexico, Nicaragua, and Tanzania, where it holds week-long campaigns to screen and treat women for cervical cancer. GFH partners with coffee-producing cooperatives in these areas, who serve as the bridge to care by educating and informing women about the importance of screening. The coffee-producing cooperatives also ensure that women have access to care, by providing transportation for those who simply cannot afford to pay, and who may live several hours away from the local clinic. To create sustainable health care, GFH works side by side with local health care providers, training them to continue to deliver this life-saving care long after the GFH campaigns end.

We contributed \$98,385 to GFH in FY '08.

FY '08 Highlights:

- ✧ Introduced the Single Visit Screen and Treat model in Matagalpa and Jinotega, Nicaragua, and Jaltenango, Mexico;
- ✧ Trained 24 doctors and nurses in clinical skills for visual inspection and cryotherapy;
- ✧ Gave clinical updates on cervical cancer prevention and treatment to 48 doctors and nurses;
- ✧ Trained 76 community health promoters in new and established work sites;
- ✧ Recruited 24 health professionals as volunteers to work on campaigns;
- ✧ Provided nearly 2,000 women with high-quality screening services;
- ✧ Provided same-day treatment with cryotherapy for 67 women who tested positive for cervical cancer; and
- ✧ Referred 22 women for further care and monitored their follow-up.



Coffee Kids®

www.coffeekids.org

Coffee Kids, Inc. is a nonprofit organization that seeks to help coffee-

growing families become less dependent on coffee — a volatile global commodity — as their sole source of income. Through education and economic diversification, Coffee Kids works with coffee-growing communities to build durable local economies, create economic opportunities, and stabilize family incomes. We contributed \$195,000 to support five Coffee Kids programs in Mexico, Guatemala, Nicaragua, and Peru.

FY '08 Highlights:

- ✧ Coatepec, Mexico: microcredit borrowers used loans to start or expand businesses, including tortilla stands, potato farms, and poultry growing.
- ✧ Matagalpa, Nicaragua: a local cooperative association awarded 485 scholarships and distributed \$185,000 across four microcredit lending cycles.
- ✧ Quillabamba, Peru: a local health-care project provided training on vaccination, disease prevention, and emergency medical care to 256 women, 13 men, and 8 children.



Heifer International®

www.heifer.org

Founded in 1944, Heifer International is a nonprofit organization dedicated to

ending world hunger by providing people in poor communities with gifts of livestock and training in environmentally sound agriculture. Heifer International and GMCR share a commitment to empowering individuals and helping communities become self-reliant. In partnership with Heifer International, we help coffee growers diversify their incomes and improve their diets.

FY '08 Highlights:

- ✧ We contributed \$12,279 through a combination of company matches of employee donations and portions of the proceeds from sales of Heifer Hope Blend, a Fair Trade Certified™ coffee. Through Heifer Hope Blend, we have generated over \$34,600 in contributions to Heifer International, while also building demand for products that contribute to sustainable development.

GMCR VOICES: Our relationships with suppliers in coffee-growing communities



“Green Mountain has achieved something quite unique. Everywhere you go, from Mexico all the way down to Peru and Bolivia, farmers see Green Mountain as a great company, a great partner; fair about its business, tough on quality and other requirements but, at the same time, they look at the relationship beyond trade. Green Mountain Coffee is not just there to buy your product - they bring other elements to the relationship, such as a more rounded approach to sourcing coffee and to life in general.”

Jorge Cuevas, Director of Trade Operations, Sustainable Harvest



Supporting Local Communities

Our commitment to contribute positive economic, social, and environmental impact in all the communities throughout our supply chain begins at home, with grantmaking, employee volunteerism, in-kind donations of products and equipment, and matches of employees' charitable donations. This year, our volunteerism program took center stage, growing by 60% year-over-year!

- ⌘ Grantmaking: We support organizations aligned with our social and environmental goals through our Brewing A Better World Fund.
- ⌘ Employee Volunteerism: Our employees can either receive paid time off — up to 52 hours per year — to volunteer in their communities or earn a grant for a nonprofit organization by volunteering on their own time.
- ⌘ We implemented a new employee volunteerism program - “Dollars-For-Doers” - which generates grants to local nonprofit organizations based on volunteer commitments by our employees.
- ⌘ We launched a series of courses for employees designed to help individuals develop customized residential CO₂ footprint reduction plans. Participating employees reduced their personal CO₂ footprints by over 160,000 lbs.

FY '08 Where We've Been

- ⌘ We continued our outreach to local communities, making over \$290,000 in grants to support socially and environmentally responsible projects. Over the last 5 years, we have made nearly \$1.5 million in grants to local communities.
- ⌘ We volunteered over 6,200 hours in our local communities, with participation from over 450 employees (44% of full-time employees).
- ⌘ We implemented a new employee volunteerism program — “Dollars-For-Doers” — which generates grants to local nonprofit organizations based on volunteer commitments by our employees.
- ⌘ We successfully launched our Employee Residential CO₂ Footprint Reduction Program in concert with the national Focus The Nation teach-in, a series of courses that helps individuals develop their own personalized solutions to residential CO₂ footprint reduction. Participating employees reduced their personal CO₂ footprints by over 160,000 lbs.

FY '09 Where We're Going

- ⌘ We intend to increase hours volunteered by 15%, from 6,200 hours to 8,000 hours.
- ⌘ We will introduce a new enterprise-wide initiative aimed at better understanding, mitigating, and reducing our carbon footprint. The initiative will include grants, employee incentives, operational initiatives, and the continued purchase of renewable energy certificates to offset our estimated emissions.
- ⌘ We will integrate our new Knoxville, TN, facility and its surrounding community plant into our CSR community outreach initiatives.
- ⌘ We will better align our domestic CSR outreach activities with our national presence and operational footprint through locally-based grantmaking teams, a facility-level focus on volunteerism activities, and more specific outreach in key geographies.



✓ Supporting Local Communities Scorecard

Grantmaking

	FY '06	FY '07	FY '08
Total resources allocated to social and environmental programs (dollars in thousands)	\$1,041	\$1,150	\$1,910
Total resources allocated to social and environmental programs as a percentage of pre-tax income	6.90%	5.30%	5.24%
Total grant/matching donation resources (dollars in thousands)	\$685	\$700	\$1,155
Total grant/matching donation dollars to domestic communities (dollars in thousands)	\$310	\$257	\$291

Employee Volunteerism

	FY '06	FY '07	FY '08
Employees volunteering through CAFE Program	270*	235*	439
Employees volunteering through Dollars-For-Doers Program	NA	NA	20
Total employees volunteering time through employee volunteerism programs	270*	235*	459
Hours volunteered through CAFE Program	4,058*	3,904*	5,708
Hours volunteered through Dollars-For-Doers Program	NA	NA	500
Total hours volunteered through employee volunteerism programs	4,058*	3,904*	6,208
Average number full-time employees	700*	737*	1,043
Participating employees as a percentage of average total full-time employees	38.57%*	31.88%*	44.01%
Average hours volunteered per full-time employee	5.8*	5.3*	6.0
Dollars allocated to CAFE Program volunteer program	\$99,093*	\$94,071*	\$134,427
Dollars allocated to Dollars-For-Doers volunteer program	NA	NA	\$5,000
Total dollars allocated to employee volunteerism programs	\$99,093*	\$94,071*	\$139,427

In-Kind Donations

	FY '06	FY '07	FY '08
Product donations	\$215,051*	\$318,963*	\$271,434
Donations of equipment and administrative supplies (allocated dollars at cost)	\$41,753*	\$9,752*	\$8,947

* Specialty Coffee Business Unit only

Grantmaking

This year, we made over \$290,000 in grants to support socially and environmentally responsible projects. Here are some of the highlights:

Committee on Temporary Shelter (COTS) | www.cotsonline.org

We invested \$60,000 over a three-year period to support COTS's Homelessness Prevention and Housing Retention Program. Through this program, low-income families that have fallen no more than two months behind on rent, due to a contingency such as a medical emergency or short term disability, receive financial support and housing services to get them back on their feet.

National River Cleanup™ | www.americanrivers.org

We contributed \$25,000 to support the National River Cleanup™ 2008, a program sponsored by American Rivers, Inc. (www.americanrivers.org). Since 1992, volunteers have removed more than 1,000 tons of waste and debris from over 100,000 miles of American streams and rivers.



The Hole in the Wall Gang Camp | www.holeinthewallgang.org

We granted \$25,000 to The Hole in the Wall Gang Camp, whose mission is to provide children with cancer and other serious illnesses a camping experience of the highest quality, while extending year-round support to their families and health-care providers. Our grant enabled ten seriously ill children from low-income families to enjoy an empowering weeklong camping experience.



Vermont Council on Rural Development | www.vtrural.org

We gave \$25,000 to the Vermont Council on Rural Development to support the Council on the Future of Vermont project, a statewide dialogue that invites all Vermonters to define their common values, develop a shared future vision for the state, and set priorities for action.

Green Up Day | www.greenupvermont.org

We granted \$10,000 to support Green Up Vermont's Green Up Day. Green Up Day began in 1970, when Vermont was the first state to designate a date to coordinate a statewide environmental cleanup. Green Up's mission is to promote stewardship of our state's natural landscapes and waterways and the livability of our communities by involving people in Green Up and raising public awareness about the benefits of a litter-free environment.

Employee Volunteerism

We believe volunteering is a great way for employees to develop leadership skills, connect to their communities, and feel better about themselves and their work. Since 1993, we have provided paid time off for employees who want to volunteer for nonprofits in their communities.

CAFE Program

Through our Community Action for Employees (CAFE) Program, employees can spend up to 52 hours per year — 2.5% of scheduled work hours — volunteering in the communities during normal work hours. In FY '08, 439 employees — over 42% of all full-time employees — donated over 5,700 hours of volunteer time in their local communities. This was a record year for the CAFE Program: employees exceeded our goal by 38% and contributed over \$140,000 worth of their time and talent.

In August of FY '08, we had our 4th National River Clean Up™ event. Ninety-two employees participated and put in 460 hours of volunteer time. This year, due to a rainy summer season, we were not able to continue our work of prior years on the local Winooski River. Instead, we worked on cleaning up a flood damaged area in Hancock, VT. For a full day, a team of 20 employees cleaned up four Hancock residences and a town cemetery. We also spent several days cleaning up the flood damage at the Waterbury Reservoir. The rest of the week we worked at the Little River State Park, cleaning, painting, and stacking wood.

Dollars-For-Doers

We expanded our support of employee volunteerism this year by launching Dollars-For-Doers, a program that provides matching grants for employees who volunteer their time outside of work. Through Dollars-For-Doers, any employee who donates at least 25 hours of their time to a nonprofit during the fiscal year may apply to have the company make a \$250 matching grant to the organization. In our inaugural year, 20 employees participated, donating 500 hours of their time and generating \$5,000 in grants.



Dollars-For-Doers Profile

Jan Shaw



Jan Shaw, VT Operations, volunteers at the Chittenden Humane Society and said this about the Dollars-For-Doers program: "I volunteer at the Humane Society

because I see that a small amount of attention brings happiness to the animals and me, and I can make a difference in helping animals and humans stay bonded and in tune with each other. I continue to volunteer because I have learned that by giving just a small amount of my time, I gain a fulfilling sense of accomplishment and I feel I am making a positive impact on animals' futures."

In-Kind Donations

We can make a difference by donating something we have plenty of: coffee. In 2008, we donated over 45,000 pounds of our coffee and related products, as well as office equipment and services, to over 1,800 nonprofit organizations. The total value of our in-kind donations was over \$269,000 — approximately 1.5% of pre-tax profit. Here are some of the highlights:



Vermont Food Bank | www.vermontfoodbank.org

We donated \$52,616 worth of product to the Vermont Foodbank. The VT Foodbank has been serving Vermonters since 1986. Each year, they reach over 60,000 Vermonters and distribute over 6 million pounds of food to needy individuals and families.

Fisher House | www.fisherhouse.org

We donated coffee to 20 Fisher Houses around the country. The Fisher House™ program is a unique private-public partnership that supports America's military in time of need. The program recognizes the special sacrifices of our men and women in uniform and the hardships of military service by meeting a humanitarian need that the Department of Defense and the Department of Veterans Affairs do not normally address. Because members of the military and their families are stationed worldwide and often travel great distances for specialized medical care, Fisher House™ Foundation donates "comfort homes," built on the grounds of major military and VA medical centers. These homes enable family members to be close to a loved one at the most stressful time — during the hospitalization for an unexpected illness, disease, or injury.

The program recognizes the special sacrifices of our men and women in uniform and the hardships of military service by meeting a humanitarian need that the Department of Defense and the Department of Veterans Affairs do not normally address.

Reverb (Ships & Dip) | www.reverbrock.org

Reverb is a nonprofit, "green" music tour promoter. Reverb educates and engages musicians and their fans on environmental sustainability by setting up "eco-villages" and providing "greening" services on music tours. Reverb is the tour promoter for Ships & Dip III, where they will serve Green Mountain Coffee® exclusively.

Global Exchange 20th Anniversary Gala

www.globalexchange.org

We donated coffee to support the 20th anniversary of Global Exchange. Global Exchange is an activist human rights organization dedicated to promoting social, economic, and environmental justice around the world. Since its founding in 1988, Global Exchange has successfully increased public awareness of root causes of injustice while building international partnerships and mobilizing for change.



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GMCR VOICES: The Vermont Foodbank's relationship with GMCR



"I see big teams of Green Mountain Coffee employees coming in — they come in during the workday, they come in for Saturday sort-a-thons. They're always at the other end of the phone — we can call people and ask for help and they're incredibly responsive — that's been the best part of our relationship ... We're so grateful because without volunteers ... we couldn't do our work."

Christine Foster, Chief Development Officer, Vermont Foodbank



Protecting the Environment

Protecting the environment and reducing our environmental footprint are central to our mission and our business model.

Indeed, we all depend on the earth for life. Reducing waste and using energy responsibly are our two main environmental priorities. Back as far as 1981, we were composting coffee grinds and recycling in our retail coffee shops. As our company has grown, our environmental initiatives have become more systematic and ambitious. In 1996, we helped develop the first biodegradable coffee bag for bulk purchases. In 2003, we launched our greenhouse gas offset program, through which we now offset 100% of our direct greenhouse gas emissions. This year, we have seen continued improvement in our energy and waste metrics and begun to leverage new and more sophisticated tools in pursuit of a smaller footprint.

FY '08 Where We've Been

- ✧ We reduced total energy use in the Specialty Coffee Business Unit (measured in therms/\$1000 net sales) by 13% vs. FY '07, keeping us on target for our goal of a 10% reduction by the end of FY '09 as compared to FY '07.
- ✧ With Ceres, our Board of Directors, and our senior management, we discussed current scientific consensus regarding climate change and its impact on business generally and the specialty coffee industry particularly, and committed to designing a new enterprise-wide initiative focused on climate change.
- ✧ We reduced solid waste (measured as tons of solid waste sent to the landfill / \$1,000,000 net sales) in our Specialty Coffee Business Unit by 6.5%, well ahead of our 2% goal.
- ✧ We commissioned product life-cycle analyses of our three main package types to quantify their environmental impact and help us drive more environmentally responsible innovation in our processes (i.e. supply-chain logistics, manufacturing, packaging, and/or transport).
- ✧ We trained over 30 members of our key Operations staff on the implementation and maintenance of Environmental Management Systems and initiated a gap analysis.
- ✧ We finalized plans to install a 100kW photovoltaic array on the roof of our Waterbury, VT, distribution center.
- ✧ We expanded our recycling program to include obsolete materials used to package our 10-oz. and 12-oz. bags of coffee.

FY '09 Where We're Going

- ✧ Our goal is to achieve a 10% reduction in energy usage per sales dollar by the end of FY '09 in our Specialty Coffee Business Unit, as compared to FY '07.
- ✧ Our goal is to reduce waste-to-landfill tonnage by 2% per sales dollar by the end of FY '09 in our Specialty Coffee Business Unit, as compared to FY '08 numbers.
- ✧ Leveraging the analytical framework of accepted Environmental Management System procedures, we will analyze our operational environmental impacts and work to develop baseline energy use and solid waste metrics for individual processes and functional groups.
- ✧ We will introduce a new enterprise-wide initiative aimed at better understanding, mitigating, and reducing our carbon footprint. The initiative will be anchored in a new enterprise statement on climate change and include grants, employee incentives, operational initiatives, and the continued purchase of renewable energy certificates to offset our estimated emissions.
- ✧ We hope to complete the packaging product life-cycle analyses project begun in FY '08.
- ✧ We hope to expand our recycling program to include the production scrap and other waste generated from the packaging of our 10-oz. and 12-oz. bags of coffee.



✓ Protecting the Environment Scorecard

Waste	FY '06	FY '07	FY '08
Solid waste to landfill as a percentage of revenue (tons / \$1,000,000)*	2.60	2.31	2.16
Energy	FY '06	FY '07	FY '08
Direct energy use as a percentage of revenue (therms / \$1,000)	6.8	6.2	4.7
Emissions**	FY '06	FY '07	FY '08
Scope 1 - direct emissions (short tons)	5,650	7,193	7,385
Scope 2 - purchased electricity (short tons)	581	993	1,614
Scope 3 - indirect emissions (short tons)	8,628	18,476	21,138
Total estimated emissions	14,859	26,662	30,137
Emissions offset (short tons)	15,165	21,219	36,037



* Specialty Coffee Business Unit only
 ** Some amounts have been adjusted from prior year's reporting due to improved calculation methodologies.

We will introduce a new enterprise-wide initiative aimed at better understanding, mitigating, and reducing our carbon footprint. The initiative will be anchored in a new enterprise statement on climate change and include grants, employee incentives, operational initiatives, and the continued purchase of renewable energy certificates to offset our estimated emissions.

Using Energy More Responsibly

Using energy responsibly means thinking about how efficiently we use energy as well as how we source it. In 2008, we set out to reduce normalized total energy use in our Specialty Coffee Business Unit by 10% and we exceeded that goal, reducing our thermal footprint by 13%. Here are some of the key steps we took this year:

✧ We completed implementation of recommendations from an FY '07 compressed air audit. As a result, we expect to save 103,000 kilowatt-hours of energy use annually.

✧ We began an upgrade of the air conditioning for our distribution center's Information Technology room. We expect the system to save 61,000 kWh of electricity and 6,212 gallons of propane per year.

✧ At our Essex facility, we installed a new energy-efficient compressor system to serve our production needs, and retrofitted our production area with high-efficiency lights. Efficiency Vermont, an independent third-party energy consultant, estimates that these Essex projects will save 200,000 kWh of electricity annually.

✧ We upgraded the lights in our human resources office space, reducing annual energy consumption by 2,340 kWh.

Energy (therms)

Specialty Coffee Business Unit	FY '06	FY '07	FY '08
Scope 1 - direct energy	806,486	935,002	961,100
Scope 2 - purchased electricity	177,062	217,245	321,525
Scope 3 - indirect energy	419,108	611,950	746,809
Total therms	1,402,656	1,764,196	2,029,434
Net Sales (dollars in millions)	\$207.6	\$242.0	\$320.1
Normalized energy metric (therms / \$1,000 sales)	6.8	7.3	6.3

Keurig Business Unit	FY '06	FY '07	FY '08
Scope 1 - direct energy	nm	57,475	60,290
Scope 2 - purchased electricity	nm	13,779	24,580
Scope 3 - indirect energy	nm	273,372	248,851
Total therms	nm	344,626	333,721
Net Sales (dollars in millions)	24.1	\$134.8	\$253.6
Normalized energy metric (therms / \$1,000 sales)	nm	2.6	1.3

GMCR	FY '06	FY '07	FY '08
Scope 1 - direct energy	806,486	992,476	1,021,389
Scope 2 - purchased electricity	177,062	231,024	346,106
Scope 3 - indirect energy	419,108	885,322	995,660
Total therms	1,402,656	2,108,822	2,363,155
Net Sales, including affiliates (in \$1,000)*	\$207.6	\$341.7	\$500.3
Normalized energy metric (therms / \$1,000 sales)*	6.8	6.2	4.7

* In FY '06, we did not measure or estimate Keurig Business Unit energy usage. Accordingly, the enterprise metric presented for FY '06 only reflects energy use and net sales information from the Specialty Coffee Business Unit.

Biodiesel

FY '08 was the first full year of operation for our new Waterbury biodiesel facility. By fueling our trucks with a blend of traditional diesel and biodiesel, we are able to cut our fleet's greenhouse emissions by up to 20%. We have expanded biodiesel to other regional facilities as well and estimate that our use of biodiesel displaced over 5,660 gallons of petroleum in FY '08, reducing our carbon footprint by 63 tons.

Solar

In FY '08, we received a grant to install a 100kW solar array on the roof of our distribution center. This installation will help reduce demand and CO₂ emissions (as well as save money) because solar installations typically achieve maximum output on hot summer days when the VT grid is most heavily utilized.

Carbon offsets

Since 2003, we have purchased renewable energy credits from *NativeEnergy, Inc.* to offset for our carbon use — emissions from business operations, travel and employee commuting, and our delivery fleet. In FY '08, we purchased offsets representing over 36,000 short tons of greenhouse gas emissions — about 30,000 short tons to mitigate our estimated FY '08 footprint and about 6,000 short tons to true up our offsets from prior years using improved estimation methods.



Greenhouse Gas Emissions (short tons)

Specialty Coffee Business Unit	FY '06	FY '07	FY '08
Scope 1 - direct emissions	5,650	6,777	6,955
Scope 2 - purchased electricity	581	712	1,114
Scope 3 - indirect emissions	8,628	14,066	15,211
Total estimated emissions	14,862	21,555	23,280
Keurig Business Unit	FY '06	FY '07	FY '08
Scope 1 - direct emissions	nm	417	430
Scope 2 - purchased electricity	nm	280	500
Scope 3 - indirect emissions	nm	4,410	5,926
Total estimated emissions	nm	5,107	6,857
GMCR	FY '06	FY '07	FY '08
Scope 1 - direct emissions	5,650	7,193	7,385
Scope 2 - purchased electricity	581	993	1,614
Scope 3 - indirect emissions	8,628	18,476	21,138
Total estimated emissions	14,862	26,662	30,137
Total offset commitment (as % of emissions)	100%	100%	100%

* Figures represent estimated CO₂ emissions only. Based on an analysis of our environmental aspects and impacts, we do not believe we are emitting other greenhouse gases in material quantities.

* Columns may not total exactly due to rounding.

* Some amounts have been adjusted from prior year's reporting due to improved calculation methodologies.

* In FY '06, GMCR acquired all the outstanding shares of Keurig® Incorporated. Amounts presented for Keurig in FY '06 are for the period from the acquisition date of June 15, 2006, until September 30, 2006.

More Environmentally Friendly Packaging

Improving the environmental impact of our packaging is a priority for us.



The Keurig Single-Cup Brewing System

One of our biggest areas of opportunity is the environmental impact of our coffee packaging materials and brewing systems, including the K-Cup® portion packs used in our Keurig® Single-Cup Brewing Systems. Reducing this impact has been a priority for us for many years and our stakeholders have confirmed that they would like us to lead the way with enhanced brewing systems and packaging materials which are friendlier to the environment and more sustainable.

We have undertaken an in-depth Life-Cycle Analysis to understand and compare single-cup brewing versus drip brewing from a whole system standpoint. While end-of-process waste is the most visible to consumers, each step along the way from tree-to-cup has an environmental impact.

In the case of the portion pack for single-serve brewing, we have learned through the Life-Cycle Analysis that the most significant environmental impact is the production of the materials used in the portion pack – thus, reducing the impact of the materials used is the direction science suggests. This is a tough technical challenge because the portion pack materials must be able to protect the coffee inside from light, heat, moisture, and oxygen – exactly the same elements that make biodegradability possible.

We have had some promising results in this area and hope to be selling a tea product in a portion pack made from renewable materials in the first part of 2010 and portion packs with more substantive improvements in the not too distant future.

We also continue to research and develop opportunities for more environmentally friendly approaches to both brewing methods and to evolve our product design principles and processes so that we can build greater environmental responsibility into our products from the beginning.

The ecotainer™

Working with International Paper (IP), we developed the ecotainer™ – an environmentally friendly alternative to conventional paper cups. Paper for the ecotainer™ comes from sustainably managed tree farms, so there's no damage to old-growth forests. And its liner, made from a corn-based polymer, breaks down under proper composting conditions. So far, we estimate that this product decision has kept over one million pounds of petrochemicals out of landfills by using these unique, sustainable materials. The Specialty Coffee Association of America recognized this innovative product with its 2007 Sustainability Award.

Reducing Solid Waste

In FY '08, we attained a 6.5% reduction in our solid waste metric

(as measured by tons of solid waste sent to the landfill per \$1,000,000 net sales).

We attribute this reduction to:

- ⌘ Improvements in our processes and new, more efficient packaging machinery;
- ⌘ New quality-control protocols that reduce waste in our production process; and
- ⌘ An expansion of our recycling program to include obsolete materials used to package our 10-oz. and 12-oz. bags of coffee.

Waste Stream

Specialty Coffee Business Unit	FY '06	FY '07	FY '08
Solid waste composted (tons)	110	407	394
Solid waste composted (tons) / \$1,000,000 net sales	0.53	1.68	1.23
Solid waste recycled (tons)	153	242	406
Solid waste recycled (tons) / \$1,000,000 net sales	0.74	1.00	1.27
Solid waste to landfill (tons)	540	558	691
Solid waste to landfill (tons) / \$1,000,000 net sales	2.60	2.31	2.16
Total solid waste (tons composted, recycled, and landfilled)	803	1,207	1,491
Total solid waste (tons composted, recycled, and landfilled) / \$1,000,000 net sales	3.87	4.99	4.66

Specialty Coffee Business Unit — VT Facilities only. The Keurig Business Unit generates only office waste which is immaterial relative to our manufacturing facility waste. Additionally, during FY '08, none of the Specialty Coffee Business Units outside of Vermont generated material amounts of solid waste.

GMCR VOICES: Working with us to reduce our carbon footprint



“We’ve helped you think about how to identify your carbon footprint, how to offset the amounts you can’t address through efficiency [and you have supported our] focus on projects with extra social value, whether it’s the farms we work with, community school projects, the tribal projects that we like to support in particular. That simply is more added value — the projects that you support are great environmentally, and provide local, sustainable economic development for these communities.”

Tom Boucher, President and Chief Executive Officer, *NativeEnergy*



Building Demand for Sustainable Products

How do we practice sustainable business in a competitive global industry?

Generally, global marketplaces are focused on economic value — getting the best product for the lowest possible price. Often, however, this approach cannot fully account for social or environmental costs. And while we are committed to achieving greater sustainability in our products and practices, we compete in a marketplace where economic value drives demand. This is the challenge of trying to do the right thing in a commercial system that does not yet fully account for its global impact.

But what if we could shift that dynamic? What if we could stimulate greater demand for Fair Trade Certified™ coffee and other sustainable products? Coffee providers would respond by buying more Fair Trade Certified™ coffee. As the economic rewards of Fair Trade Certified™ coffee grew, more smallholder farmers would work towards Fair Trade status. And more people would be lifted out of poverty and hunger. More hectares of land under cultivation would be cultivated with care. And so on in a reinforcing circle. It could work the same in many businesses and industries — maybe all?

That's why we're focusing on building demand for sustainable products and evolving our product line to be more sustainable. Once consumers understand the goals of Fair Trade and sustainability — protecting scarce resources, strengthening communities, reducing poverty, and ensuring equity in commercial relationships — they will want to help build a better world.

FY '08 Where We've Been

- ⌘ Sales of Fair Trade Certified™ (organic and nonorganic) coffees in our Specialty Coffee Business Unit represented over 28% of total coffee pounds shipped in FY '08, up slightly from approximately 27% in FY '07. Given the growth of our enterprise, this 1% increase represented over 1.4 million pounds of Fair Trade Certified™ coffee.
- ⌘ Sales of certified organic coffees in our Specialty Coffee Business Unit represented approximately 21% of total coffee pounds shipped in FY '08, flat as compared with our results in FY '07.
- ⌘ We commissioned life-cycle analyses of our three main package types — see Protecting the Environment, pg. 22, for a more complete discussion of this work.
- ⌘ All At Home Keurig Brewers are compliant with Europe's RoHS standard, have auto-off features (programmable in many cases) to save energy, and have component parts stamped with the appropriate recycling symbols where applicable to assist in recycling.

FY '09 Where We're Going

- ⌘ We intend to keep the percentage of coffee pounds shipped in the Specialty Coffee Business Unit that are Fair Trade Certified™ at at least 28%, growing the absolute amount of pounds sold along with our business at a minimum and increasing the percentage when possible.
- ⌘ We hope to complete the product life-cycle analyses project begun in FY '08.



✓ Building Demand for Sustainable Products Scorecard

Sales	FY '06	FY '07	FY '08
Fair Trade Certified™ lbs. (nonorganic) shipped (in thousands)	1,732	1,634	2,341
Fair Trade Certified™ organic lbs. shipped (in thousands)	4,919	5,706	6,433
All Fair Trade Certified™ lbs. (organic and nonorganic) shipped (in thousands)	6,651	7,340	8,774
Total coffee lbs. shipped (in thousands)	24,489	26,818	30,782
Fair Trade Certified™ lbs. (non-organic) shipped as a percentage of total lbs. shipped	7.07%	6.09%	7.61%
Fair Trade Certified™ organic lbs. shipped as a percentage of total lbs. shipped	20.09%	21.28%	20.90%
All Fair Trade Certified™ lbs. (organic and nonorganic) shipped as a percentage of total lbs. shipped	27.16%	27.37%	28.50%



Fair Trade Coffee

Fair Trade has emerged as the world's leading approach to sustainable coffee. Through its innovative, market-based approach, **Fair Trade brings transparency, accountability, and simple fairness to the coffee supply chain.**



Fair Trade Certified™ coffee means that co-ops and their farmers get a minimum fair price for their beans: \$1.35 per pound for conventionally grown coffee and \$1.55 per pound for organic.

By setting a floor on coffee prices, Fair Trade allows small family farmers to make enough to eat a decent diet, educate their children, and gain access to health care. And because they're getting a fair price, farmers don't have to resort to cost-cutting practices that sacrifice quality and undermine the environment.

Fair Trade certification includes rigorous environmental standards as well. According to TransFair USA (www.transfairusa.org), the majority of the Fair Trade Certified™ coffee sold in the U.S. is also shade-grown and certified organic, thus maintaining biodiversity, providing habitats for migratory birds, and slowing the pace of global warming. The majority of Fair Trade Certified™ coffee we sell is also certified organic by Quality Assurance International, an independent third-party organic certifier since 1989.

Building the Market for Fair Trade Coffee

We set and track our sustainable coffee goals in terms of how much Fair Trade Certified™ coffee we sell.

Consumers are clearly searching for ways to bring their values into their purchasing decisions and they are responding to the opportunity presented by Fair Trade Certified™ and organic coffees:

- ✧ Nearly nine in ten American consumers believe that companies that deal with poor countries should: 1) pay workers fairly (89%); 2) ensure safe working conditions (87%); 3) minimize environmental damage (86%).
- ✧ Among American consumers just over half believe that the best way to verify a product's social or environmental claims is by an independent third party organization.
- ✧ Among American consumers who are familiar with the Fair Trade brand, 87% trust the brand.

Source: TransFair USA/Globescan research, 2009

Moreover, Fair Trade is the leading coffee certification program (excluding organic) in terms of overall awareness, with 28% of respondents recognizing the certification. While growth in overall awareness of Fair Trade may have slowed somewhat in 2008, Fair Trade has been the most effective certification program at translating awareness into purchase — 67% of those aware of Fair Trade purchase Fair Trade because of what Fair Trade means.

2009 National Coffee Drinking Trends, National Coffee Association, pg. 45

Keurig Brewers

As one of the world's leading manufacturers of coffeemakers, **we're in a position to lead the marketplace towards sustainability.** Here's what we've done this year:

The Keurig Single-Cup Brewing System

For a discussion on our efforts to improve K-Cup packaging, please see More Environmentally Friendly Packaging, pg. 26.

RoHS

In 2003, the European Union passed the RoHS Directive (www.rohs.eu), a set of regulations designed to reduce the effect of electronic equipment in the waste stream. While United States guidelines are less stringent, we intend to be fully RoHS compliant with all our brewers by the end of FY '09.

Energy Conservation

Our At Home brewers all have an auto-off feature that allows the brewer to turn itself off at a preset time after the last brew. For the non-programmable brewers, it's two hours; for programmable brewers, it's 1-9 hours. Our brewers also feature programmable start and stop times, which save a lot of energy.

Recycling Brewers

We have begun adding appropriate recycling symbols to the plastic parts of our brewers. This will assist both consumers and recycling facilities to properly identify and recycle these components.



GMCR VOICES: Building demand for Fair Trade Certified™ coffee



Joel White: “[We wanted] to increase our Fair Trade percentage for K-Cups ... I was looking at a way to simply and dramatically change our numbers. [Our] number-one selling K-Cup at the time was Colombian and [converting it to Fair Trade Certified™] was a very simple and clean way to dramatically increase our Fair Trade volume.”

Ed Canty: “I think it's ... important ... to note that there [are many] different importers and exporters out of Colombia who are now talking [about] Fair Trade more than they were ... because of this decision.”

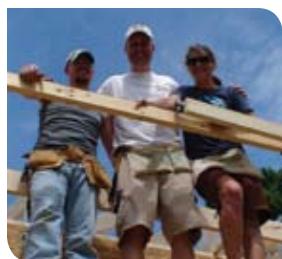
Joel White, Director, Product Marketing, Specialty Coffee Business Unit, GMCR
Ed Canty, Fair Trade Organic Coffee Buyer, Specialty Coffee Business Unit, GMCR



Working Together for Change

Working with others to create change leads to better outcomes. Why? Because more informed perspectives mean more complete, more appropriate, and more effective ideas.

In today's parlance, they call it "getting the whole system into the room." Whatever the issue you are trying to address — how to fight hunger or how to increase sales — you will get a better result when you involve others in creating the solution. This year, we conducted our first social and environmental audit of a supplier (see discussion on pg. 35) — a big new step for us in working together with our supply chain.



Working together for change takes many forms for us.

In our supply chain, we've worked hard to develop strong relationships. Our coffee buyers spend weeks each year visiting and talking with coffee growers, explaining what qualities will fetch a premium price, and listening to their needs. Our engineers are on-site monthly in China, where our brewers

are made. And through our annual "source trips," dozens of our employees get to experience how coffee is produced and talk with the people who grow our beans.

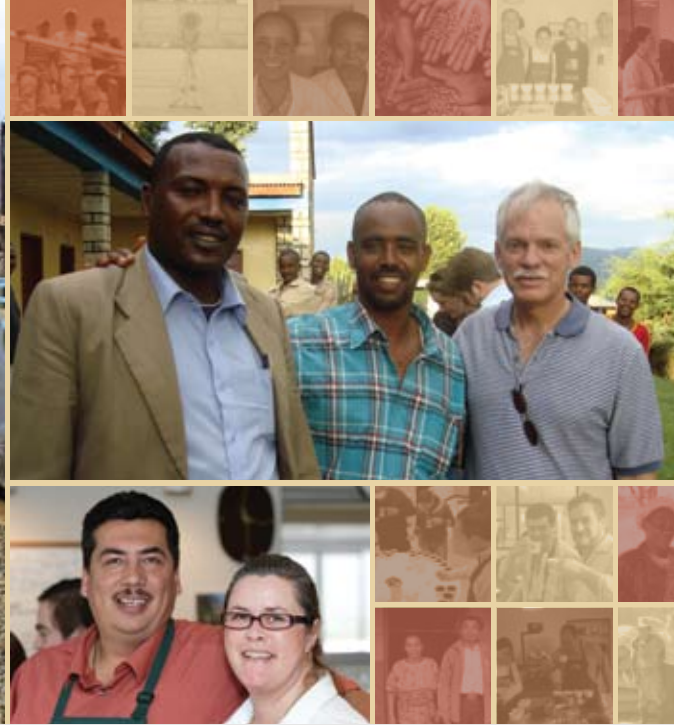
Closer to home, we spend a lot of time listening to employee feedback and acting on that feedback to enhance our workplace. For example, when a recent survey revealed that employees felt that we weren't doing an adequate job of celebrating personal milestones — from individuals' birthdays to a successful software implementation — we made it a priority to celebrate more often. Likewise, when we discovered that employees who had formal mid-year check-ins with their supervisors had much higher job satisfaction, we overhauled our review process so that every employee has one.

In the area of corporate social responsibility reporting, we have worked with Ceres — a national network of investors, environmental organizations and other public interest groups that works with companies and investors to address sustainability challenges — since 2005 to help us identify key issues and areas where we could improve our performance. Ceres also helped us vet the ecotainer™ idea (see pg. 26) with environmental advocates when it was still in the development stage.

Why bring all these voices into the mix? Because the end result is better when we work together towards common goals.



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Coffees That Make a Difference



Newman's Own® Organics

Our collaboration with Newman's Own Organics allows us to make Fair Trade Certified™ organic coffee available to all consumers. Since we first started collaborating with Newman's Own Organics in 2002, we have become a leader in the organic coffee category and Newman's Own Organics has become one of the fastest-growing national coffee brands in the U.S.



“The beans have been roasted according to the handcrafted tradition for which Green Mountain Coffee Roasters is famous. Fair Trade certification means that farmers in coffee producing countries worldwide can enjoy a better life. Grown and processed according to the strictest organic standard, these delightful coffees are gentle on the earth and pleasing to your palate.”

Nell Newman



Tanzanian Gombe Reserve

Our Tanzanian Gombe Reserve coffee is the first to receive Jane Goodall's "Good for All" seal, signifying that it promotes better pay for farmers as well as a commitment to protect the environment and the planet's wildlife.

Grown near the boundaries of Tanzania's Gombe National Park, one sip and you'll be transported to where the wild things are.

The spring-like temperatures and predictable rainfall of Tanzania's greater Gombe region provide ideal habitat for both chimpanzees and world-class coffee. Its lush mix of grassland, open woodland, and deep green forests is one of the few places on earth where coffee farmers and chimpanzees live side-by-side.

Because it thrives under the shade of a forest canopy, this extraordinary coffee grows in harmony with chimps in one of their last, remaining habitats. It provides farmers an incentive to preserve the forest, a chance at economic stability, and a uniquely memorable taste profile.



National Wildlife Blend

National Wildlife Blend is comprised of Fair Trade Certified™ and organic Central and South American coffees. This coffee comes, in part, from deep within the Sierra Madre mountains of Southern Chiapas in one of the world's most pristine and diverse natural places — 300,000 fog-shrouded acres known as the El Triunfo Biosphere Reserve.

In the buffer zone surrounding the reserve, family farmers grow coffee under the shade of a forest canopy, which provides habitat to countless species of migratory songbirds, mammals, and insects. In this way, the buffer zone both protects the core zones of the biosphere, and promotes sustainable commerce for the surrounding communities of farmers.



Heifer Hope Blend

Heifer Hope Blend was created to support Heifer International's fight against world hunger and poverty. Heifer International, founded in 1944, is a nonprofit organization devoted to ending world hunger by providing a sustainable source of income through gifts of livestock and training. With our support, Heifer helps coffee farmers diversify their incomes by raising livestock. We help raise awareness by showing people how their purchases can support sustainable development.

Set of Vendor Expectations

In 2008, we began sharing, and measuring compliance with, our Set of Vendor Expectations, a set of guidelines that outlines what we expect of our vendors regarding overall legal compliance, labor conditions (including child labor, wages and benefits, hours of work, freedom of association, discrimination and abuse, and health and safety), and environmental responsibility. For measuring compliance, we created a set of tools, including self-assessments, surveys, on-site assessments by GMCR staff, and commissioned audits of vendor facilities. We tested these tools by auditing our own Waterbury, VT, facility.

We performed our first supplier audit in September 2008. For the first audit, we chose the firm that manufactures all our Keurig Brewers – the Simatelex organization. They operate three factories in Shenzhen, in the Guangdong province of China. We audited one factory – the Xin Fan facility. We will receive the final audit report in FY '09 and will work with Simatelex to understand and act on the findings in that report.

Our hope is that this level of engagement helps both us and our supply-chain partners on the path to becoming better citizens and more sustainable businesses.



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United Nations Global Compact

In March 2004, we were the first U.S. coffee company to sign the United Nations Global Compact (www.globalcompact.org), a set of principles for sustainability and corporate citizenship aimed at helping countries, commerce, technology, and finance advance in ways that benefit economies and societies everywhere.

The Global Compact asks companies to embrace, support, and enact, within their sphere of influence, a set of core values in the areas of human rights, labor standards, the environment, and anti-corruption.

- ✧ Our social and environmental responsibility initiatives are focused on reducing poverty, alleviating hunger, reducing solid waste, and promoting responsible energy use. All of these goals help create an environment in which quality of life and respect for human rights can be supported.
- ✧ This year we implemented our Set of Vendor Expectations — a set of guidelines that articulates what we expect of our vendors when it comes to human rights, labor, and other issues.
- ✧ We abide by applicable labor laws in the states where we have operations. These laws prohibit, among other things, a company from terminating an individual as a result of choosing to enter into a union or collective bargaining.
- ✧ Forced labor is forbidden in our Set of Vendor Expectations, which we adhere to as well.
- ✧ Child labor is likewise forbidden.
- ✧ We maintain a specific policy prohibiting discrimination on the basis of race, color, ancestry, religion, gender, age, marital/civil union status, national origin, sexual orientation, place of birth, veteran status, disability, or any other legally protected classification.
- ✧ With assistance from the state of Vermont and Green Mountain Power, we committed to the installation of a 100kW solar array on the roof of our Waterbury, VT, Distribution Center. We expect to complete the installation in FY '09.
- ✧ As one of our many environmental initiatives, we set out this year to reduce our total normalized energy use by 10%. We exceeded that goal, reducing our total thermal footprint by 13% in FY '08.
- ✧ 2008 was the first full year of operation for our new Waterbury biodiesel facility. By fueling our trucks with a blend of traditional diesel and biodiesel, we are able to cut our fleet's greenhouse emissions by 20%.
- ✧ All our employees and our Board of Directors sign our Code of Ethics, which specifically requires accurate reporting; fair dealing; and compliance with all laws, rules, and regulatory requirements.



Individual Action

We are on a continuous journey to understand the issues that affect the people and places where we work and live, and to translate that understanding into concrete action. Here are some suggestions on what each of us can do in our own personal journeys.

- ⌘ Consumer activism can make the difference. Think about where all the products you purchase come from and the conditions under which they were produced. Express yourself to the companies that make the products you purchase. Vote with your dollars.
- ⌘ If you serve, sell, or drink conventionally sourced coffee, try great tasting Fair Trade Certified™ and Fair Trade Certified™ organic coffees.
- ⌘ Find out more about how you can start a campaign to promote Fair Trade in your community. Visit www.fairtradetowns.org
- ⌘ Volunteer with a nonprofit organization in your local community — meet your neighbors and help increase the quality of life right where you live. For ideas check out Points of Light (www.pointsoflight.org) and the United Way (www.unitedway.org).
- ⌘ See if your workplace offers a matching donation program. If they do, leverage it to support a cause or nonprofit you care about! If they don't, ask why not!
- ⌘ Contact us about getting a donation of Green Mountain Coffee® to help support your local nonprofit organization.
- ⌘ Calculate your carbon footprint and learn what you can do to reduce it — check out *NativeEnergy* (www.nativeenergy.com) and Clean Air-Cool Planet (www.cleanair-coolplanet.org).
- ⌘ Look into alternate transportation for work commutes and other errands. Try public transportation, carpooling, or riding your bike.
- ⌘ Look into your office coffee program — are you buying Fair Trade Certified™ organic coffee? If you aren't, ask why not!

 **GMCR VOICES:** Traveling to Mexico with Grounds For Health to conduct cervical cancer screenings



“It was an incredible experience — I had never done anything like that before in my life — just to see the incredible good that can be done in the world and the gratitude that these women had who come into the clinic. A lot of them did not have that kind of attention or health care — a lot of them had not been to that kind of service in awhile, if at all. It was quite an eye-opening experience.”

Deb Lisman, Learning and Organizational Effectiveness Manager, Specialty Coffee Business Unit, GMCR



Creating a Great Place to Work

Creating a great place to work is a shared responsibility.

As a company, we have the responsibility to create opportunities for our employees to learn, grow, and develop themselves and their careers. As employees, we have the responsibility to take advantage of those opportunities. When this shared responsibility is being met, great things happen for us as individuals and for the organization.

This year, to meet that responsibility, we reevaluated some current programs (like our compensation levels), introduced new initiatives (like our ePerformance initiative), and continued to emphasize those that are working well (like our Continuous Learning program). We saw these efforts pay off with improved employee satisfaction metrics.

FY '08 Where We've Been

- ✧ Our core employee satisfaction metric — the percentage of employees agreeing with the statement that “Overall, this is a Great Place to Work” — rose from 85% in FY '06 to 88% in FY '08.
- ✧ We began developing a sustainable jobs model in our home state of Vermont, drawing on the work of Vermont Business for Social Responsibility and the Livable Jobs Toolkit. (see pg. 40 for more details)
- ✧ We introduced “ePerformance,” a new performance-management program that streamlines employee planning and performance review. The program will help us improve our ability to generate shared goals, create clear development plans, and deliver more timely and useful feedback to employees.
- ✧ On average, full-time employees in our Specialty Coffee Business Unit received 49 hours of continuous learning and training.
- ✧ We hired internally for 19% of our posted positions, narrowly missing our goal of 20%.
- ✧ Building on the recognition we received in 2007 for Exceptional Support to the Vermont Refugee and Immigrant Communities, we partnered with the Vermont Refugee Resettlement Program to offer English as a Second Language in our Waterbury, VT, and Essex, VT, sites.

FY '09 Where We're Going

- ✧ We will again participate in the Great Place to Work® survey, aiming to see concrete evidence of improvement as a result of our efforts over the past three years.
- ✧ We will maintain our goal of at least 30 hours of education and training for every employee.
- ✧ We will reevaluate our safety program and implement new measures to improve our Injury Severity and Frequency rates with a goal of a 10% reduction in both measures.
- ✧ We intend to fill 20% of all posted positions internally.
- ✧ We will develop a new enterprise-wide, three module educational program that explores how corporate social responsibility supports, and is supported by, our financial success and strong family of brands.



✓ Creating a Great Place to Work Scorecard

Compensation and Benefits

	FY '06	FY '07	FY '08
Company payment of insurance premiums (percentage, on average)*	90%	90%	90%
Dollars spent on medical benefits as a percentage of payroll*	19.13%	13.80%	13.6%

Hiring and Development

	FY '06	FY '07	FY '08
Internal hiring*	24.20%	25.00%	19.00%
Hours in training / continuing education*	33	40	49
Percentage of full-time employees who have visited coffee-growing communities	22.50%*	18.50%	18%

Safety

	FY '06	FY '07	FY '08
Injury severity (DART rate)*	5.07	4.61	4.68
Workers' compensation claims	60	84	81
Injury frequency (total recordable incidence rate)*	5.64	4.73	4.9
Occupational fatalities	0	0	0
Interstate experience modification factor*	0.79	0.88	0.89

Retention and Satisfaction

	FY '06	FY '07	FY '08
Employee Retention	89%*	91%*	91%
Percentage employees agreeing that GMCR is an "Overall Great Place To Work"	85%	NM**	88%
Percentage employees agreeing that "We have special and unique benefits here"	87%	NM**	86%

* Specialty Coffee Business Unit only

** We did not use the Great Place to Work® Trust Index® in FY '07

A Great Place to Work

The Great Place to Work® Trust Index® is one of several surveys we use to understand employee perceptions of our work environment.

In FY '06 and '08, we engaged the Great Place to Work® Institute to use their Great Place to Work® Trust Index®, a workplace perception diagnostic tool, to help us deepen our understanding of our employees' perception of our workplace by department — and to help us build better workplaces across our Business Units. The Great Place to Work® Trust Index® includes 57 statements, each linked to one of the five dimensions of the Great Place to Work® Model®. The table to the right highlights average results from the awards process for both FY '06 and FY '08.

Focus areas of the Great Place to Work® Trust Index®

	FY '06*	FY '08
Credibility of management	75%	78%
Respect shown in the workplace	79%	81%
Fair treatment within the organization by management	77%	78%
Pride in work and company	85%	87%
Camaraderie with peers	85%	84%
Overall, this is a Great Place to Work	85%	88%

* Specialty Coffee Business Unit only

Sustainable Jobs

Our goal is to provide sustainable jobs — more than just a livable wage and more than simply cash compensation. In FY '08, we began developing our sustainable jobs model in our home state of Vermont. Drawing on the work of Vermont Businesses for Social Responsibility (www.vbsr.org) and their Livable Jobs Toolkit, we used regional and state economic data to create a compensation model that more accurately accounts for the full range of benefits (both financial and nonfinancial) we offer our employees, including programs such as:

- ✧ Flexible Work Arrangements: compressed work weeks; a combined paid time off program; and referrals for services (such as an Employee Assistance Plan).
- ✧ New Ways of Looking at Cash Compensation: programs to reduce employee expenses (such as our wellness program); sliding scale insurance contributions; profit-sharing; and standards-based pay rates.
- ✧ Beyond Cash Compensation: company-assisted health, dental, and vision insurance; company paid life and disability insurance plans; an employee hardship fund; flexible benefit and health savings plans; dependent care assistance plan; tuition reimbursement; and 401(k) plans.



Unique Benefits

An important part of our mission is meeting the needs and aspirations of our employees, above and beyond what's required. This creates an environment where everyone can thrive. **In addition to offering a robust package of medical, dental, and vision benefits, we also offer incentives for wellness activities, including health assessments, bodyfat/BMI screening, and a walking program. In the FY '08 Great Place To Work® Trust Index®, 86% of all employees agreed "we have special and unique benefits." Here are a few:**



Source Trips

In 1992, we began sending employees on "source trips" to coffee-growing communities in Latin America as a way to help employees learn more about coffee. Since then,

source trips have become a way for us to reward employees for their tenure or outstanding performance, to build teamwork, and to provide employees with the opportunity to directly experience coffee from "tree-to-cup." Today, we send approximately 36 employees each year on three different trips — to Mexico, Guatemala, and Nicaragua. Over the years, 18% of our current full-time employees have been to source countries.

Tuition Assistance

We pay up to \$3,000 per year for tuition, books, equipment, or fees for work-related classes for our employees. In FY '08, 44 employees utilized our tuition assistance program for a total benefit of \$63,272 (as compared to 31 employees and a total benefit of \$72,213 in FY '07).

GMCR Scholarship Program

In FY '08, we awarded twelve \$2,000 scholarships — which are selected by a neutral third party, Scholarship Management Services — for post-secondary education in college and vocational programs for the children of full-time employees from all Business Units who have at least one year of service with our company.

Adoption Assistance

We reimburse eligible adoption expenses incurred by full-time employees from all Business Units, up to \$4,500 for each adoption per family for up to two adoptions. Eligible expenses include adoption agency fees, placement fees, lawyers' fees and other required legal fees. No employees took advantage of this benefit in FY '08.

Employee Stock Purchase Program

Employees from all Business Units are eligible to participate in our Employee Stock Purchase Plan, which allows employees to use payroll deductions over a six month period to purchase GMCR stock at a 15% discount to the market price on the first or last day of the program, whichever is lower. This program is offered twice a year.

Profit Sharing Plan

Within the Specialty Coffee Business Unit, we share profits with employees on an annual basis, subject to the achievement of profitability goals. This builds a spirit of ownership within the company and increases understanding of our business model. In FY '08, we shared a \$905,000 payout.

Retirement Plans

Our 401(k) plan provides an opportunity for full-time employees to defer up to 100% of their compensation before taxes, subject to federal limits on annual 401(k) plan contributions. The company matches 50% (up to 6% of the deferral) and offers approximately 48 different mutual fund options for employee investment, including eight socially responsible mutual funds.

In FY '08, 947 employees from all Business Units (88% of our average full-time employees) participated in our 401(k) program, up from 683 employees in FY '07 (FY '07 total represented only Specialty Coffee Business Unit employees; total was 89% of Specialty Coffee Business Unit average full-time employees).

Continuous Learning

Continuous Learning enables and propels our growth and improves our bottom line, and it's key to many tenets that we hold dear. In FY '08, our primary goal was to achieve at least 30 hours of education or training, on average, for every full-time employee. We exceeded that goal, with employees receiving 49 hours of education or training on average. Employees received nearly 14,000 more hours of training in FY '08 as compared to FY '07. In FY '08, we invited more than 30 educational service providers to present to nearly 500 employees at our two annual Learning Expos.

Specialty Coffee Business Unit Continuous Learning

	FY '06	FY '07	FY '08
Total recorded hours	22,106	34,586	48,422
Average training hours per full-time employee	33	40	49



GMCR VOICES: One way that GMCR is a great place to work



"It's a great program. I haven't ever worked anywhere before that offered you time out of your working time to be able to go help someone else or to help your community. I just think it's a great thing for people to do — you get to meet all sorts of other people, you get to help somebody out and it gives you the nice warm and fuzzy feeling inside."

Darcy Hess, Billing Specialist, Specialty Coffee Business Unit, GMCR

Employee Safety

Our goal is to keep our employees safe and healthy. All new hires attend ergonomics classes in their first week of employment, and all employees based in our manufacturing facilities take at least 8 hours of safety training when they are first employed with us, as do our truck drivers. We provide annual refreshers in driver safety, blood-borne pathogens, and hearing loss prevention, as well as ongoing trainings in CPR, First Aid, and much more. Our Safety Team has designed comprehensive training programs for specific job requirements, and our staff studies safety incidents within our facilities to prevent future accidents, tracks accident trends, and implements safety improvements.

In FY '08, we had two goals: expand our ability to respond to emergencies and reduce our Injury Severity and Frequency rates by 10% as compared to FY '07. Here's how we did:

GMCR Employee Safety

	FY '06	FY '07	FY '08
Injury severity (DART rate)*	5.07	4.61	4.68
Workers' compensation claims	60	84	81
Injury frequency (total recordable incidence rate)*	5.64	4.73	4.90
Occupational fatalities	0	0	0
Interstate experience modification factor	0.79	.88	.89

* Specialty Coffee Business Unit only

Health & Wellness

We believe that wellness is the cornerstone of a healthy workplace. That's why we host numerous wellness programs throughout our facilities, including a stretching program which incorporates breathing, mindfulness meditation, and stretching movements into employees' daily schedule; on-site (and company-paid) screenings for blood pressure, cholesterol, and biometrics; annual flu shots; and a wellness reimbursement of up to \$500 to support health club memberships, massage, weight loss programs, and smoking cessation. Additionally, over 200 employees and 20 vendors participated in our annual Wellness Expo, including the American Heart Association, the United Way, the Vermont Food Bank, and a variety of local fitness service providers.



Credits

Copywriting

Neil Carlson

www.brooklyncreativeleague.com

Design

Free Range Studios

www.freerangestudios.com

Printing

Villanti & Sons Printers / Milton, VT

www.villanti.com

Paper

Mohawk Fine Papers Inc.

www.mohawkpaper.com

Photography

Many of the photos in this report were taken by employees during CAFÉ Time or while visiting coffee-growing communities around the world. We thank them for sharing their experience with us.

Additional photography by:

Deborah Lisman (pgs. 42, 43), Gordon Miller (pgs. 17, 18, 19), Mitch Moraski (pgs. 33, 35, 40), John Sherman (pgs. 25, 36), and Brett Simison (pgs. 29, 39).

Environmental Benefits Statement

This report uses **5,432 lbs. of paper** which has a post-consumer recycled percentage of **100%**.
The savings below are achieved when post-consumer recycled fiber is used in place of virgin fiber.



52 trees preserved for the future



151 lbs. waterborne waste not created



22,152 gallons wastewater flow saved



2,451 lbs. solid waste not generated



4,826 lbs. net greenhouse gases prevented



36,937,600 BTUs energy not consumed

Additional savings if paper is manufactured with windpower or carbon offsets:



2,450 lbs. ghg emissions not generated



3 barrels fuel oil unused



not driving 2,425 miles



planting 167 trees



Technical Notes and Sources

Calculations to demonstrate the environmental benefits of using recycled fiber in lieu of virgin fiber are based primarily upon information publicly available at:
http://www.environmentaldefense.org/documents/1687_figures.pdf

Calculations to demonstrate the benefits of supporting offsite wind generated electric power and carbon emission reduction projects are based primarily upon Mohawk's corporate-wide greenhouse gas emissions inventory. This inventory was developed to include Scope 1 and Scope 2 emissions according to the US EPA Climate Leaders Program technical guidance which is publicly available at:
<http://www.epa.gov/stateply/resources/index.html>

Calculator outputs specifically represent Mohawk operations and its unique greenhouse gas emissions profile. They cannot be considered representative of other organizations.



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