

Brewing A Better World

Green Mountain Coffee Roasters, Inc.



**Corporate Social
Responsibility Report**
Fiscal Year 2007



BREWING
a better world

Green Mountain Coffee Roasters

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Our Commitment



Dear Friends,

Thank you for your interest in our corporate social responsibility initiatives. This is our third, public Corporate Social Responsibility Report. Our first was published in 2005, and it related a great deal of the history of our commitment to corporate social responsibility. In 2006, we revised our corporate social responsibility web site and posted our report content there. This document presents our fiscal 2007 highlights as well as updates on our progress and existing challenges; a more comprehensive presentation of our programs and results is available on our web site.

We believe a whole systems approach is the most effective business model, and we are truly motivated by helping create a more sustainable world. It is through our shared effort, working together with our customers, suppliers, and employees, as well as coffee farmers, local communities and nonprofit organizations, that we can have the greatest positive impact. We embrace our individual and corporate responsibility to represent the best of business, make a profit, AND make a positive difference for people and our natural world.

In fiscal year 2007, we welcomed Larry Blanford to our organization as Chief Executive Officer and President of Green Mountain Coffee Roasters. We feel very lucky and are grateful for Larry's leadership and vision, as we seek to build on our past success and increase our positive impact. I thank our Board of Directors, our passionate employees and devoted stakeholders for making all we do possible.

With Larry on board, I have transitioned into a full-time role as Chairman of the Board. In that role, I hope to continue to support organizational excellence and create a world-class model for corporate governance. One of our first steps will be to create a board-level Corporate Social Responsibility Committee to provide additional resources and oversight to our efforts in these areas.

Thank you for reading our 2007 Corporate Social Responsibility Report. We encourage you to be in touch with us with your suggestions, as we truly welcome input and participation on our journey to a better world.

Sincerely,

A handwritten signature in blue ink that reads "Bob Stiller".

Bob Stiller
Chairman of the Board

Our Vision



Dear Stakeholder:

I have been privileged to work at Green Mountain Coffee Roasters, Inc. (GMCR, Inc.) for the past year, as President and CEO, and I am still just as excited about our social and environmental mission as I am about our company's growth prospects.

Our Founder and Chairman of the Board, Bob Stiller, created a company more than 25 years ago that is driven by creating the ultimate coffee experience. He built a business model that we believe works better on all dimensions by taking the whole system into account and engaging all our stakeholders in what we do – we succeed by doing the right thing.

The ultimate coffee experience is one that makes a positive difference in every life we touch from tree to cup. Naturally, coffee lovers are better off for having a great cup of Green Mountain Coffee, yet it goes further than that: a woman who picks coffee in Mexico gets pre-natal care; a co-op in Indonesia receives a price premium and gains new market access after achieving Fair Trade and organic certification; and alternative energy projects across the U.S. get infusions of capital.

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

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How do we do this? First of all, we keep an eye on the “big picture.” That means buying Fair Trade Certified™ organic coffee; working with coffee-growing communities around the world as well as our local communities to improve their quality of life; purchasing greenhouse gas offsets to counterbalance the inevitable environmental impact of certain parts of our business; and investing in our employees to create a great place to work.

Secondly, at least 5% of the value of our annual pre-tax profits go to our Brewing a Better World Fund, through which we support the economic, social and environmental goals of the communities we touch. Our Brewing a Better World Fund supports domestic and coffee-growing community grants, our paid volunteerism program, and our product donations.

Importantly, these social and environmental programs are supported by, and often initiated by, our employees. Employees bring their whole selves to work when they come to Green Mountain Coffee, bringing passion, energy and ideas that collectively create a great place to work, provide meaning to our work, and contribute to more sustainable communities and ecosystems.

When you take a sip of Green Mountain Coffee, you are not just savoring terrific flavor: you’re helping to brew a better world. Thank you for taking part in this collaborative effort to create a more sustainable future.

Sincerely,



Larry Blanford
President and Chief Executive Officer

Our Journey



Dear Stakeholder:

Sometimes, our greatest insights take us by surprise.

Rick Peyser is our Director of Coffee Community Outreach and Social Advocacy. He leads our efforts to help alleviate poverty and reduce hunger in coffee-growing communities. This past year, he traveled to Nicaragua to participate in field research conducted by the Sustainable Food Laboratory and the International Center for Tropical Agriculture. We funded the research in order to better understand the reality of poverty and hunger in these communities and improve our outreach programs. Our intention with respect to all our CSR programs has been to approach these complicated issues with an open mind - to learn, and then to let our learning guide our response. When he returned from his trip, I checked in with him to see how it went.

He was furious.

In a series of interviews with coffee farmers and their family members in Nicaragua, Rick learned about “los meses flacos,” or “the thin months.” The full research results, conducted in Guatemala and Mexico as well, indicated that over 65% of the families interviewed alter their diets for at least three months each year because of insufficient income. They make ends meet by eating less, eating differently (cheaper, and usually less nutritious foods), or borrowing against future earnings to make ends meet now.

Rick’s anger was first directed at his own ignorance on this issue – how could he have been working in the coffee industry on social issues for over 20 years and not have heard about it? But then his anger evolved into dismay – how could this be happening and our industry remain silent?

Rick channeled his anger and dismay powerfully back into his work and advocated internally for a new focus on “the thin months” in our outreach efforts. As a result, in fiscal year 2008, we plan to organize a pilot project with one of the co-ops from the research study, along with their neighbors and local community organizations. The goals: name the phenomenon publicly, articulate a shared vision of a future where there are no “thin months,” and facilitate the community’s efforts to bring this vision to life.

I share this story with you to help illustrate both why we do this work and what it’s like to do it.

Businesses and the people who drive them can no longer choose to ignore their connection to people and communities all over the world or their ability to facilitate positive change. We know the choices we make in our business affect the lives of thousands of people from Nicaragua to Sumatra to Ethiopia. We recognize that we are part of a fundamental shift in how society understands the roles and responsibilities of commercial enterprises. And we understand that it helps our financial bottom line – recognizing and acting on our interdependence is key to managing supply chain risk, connecting more deeply with our customers, and helping to create a meaningful and fulfilling work experience for all of our employees.

Undertaking this work is not easy. Bringing your “whole self” into your work and truly trying to understand the impact of your business decisions can lead to results that are surprising and difficult to accept. Working to succeed within, and hopefully change, an economic system that does not yet assign the true environmental or social costs for decisions or reward good behavior that accrues to the commons can be draining and discouraging. Holding the creative tension between today’s reality and tomorrow’s vision is difficult. And yet these kinds of challenges are exactly what motivate us to continue: we know we can make a difference and we know we must. Our definition of “success” requires it.

In these pages, we’ll introduce you to what we think it means to brew a better world:

- ⌘ Working collaboratively with the communities where we buy coffee to identify ways we can work together to build a brighter future;
- ⌘ Supporting organizations in our local communities working directly to reduce poverty, alleviate hunger, reduce solid waste, and promote responsible energy use;
- ⌘ Refining and digging into the data we collect on our energy use and estimated greenhouse gas emissions to help us reduce our impact on the environment;
- ⌘ Reducing our landfill-waste stream through recycling and composting;
- ⌘ Selling more Fair Trade Certified™ coffee than ever before – over 7 million pounds of coffee, representing over 27% of total pounds shipped;
- ⌘ Developing new Supplier Guidelines to help us foster social and environmental responsibility in our own operations and those of our suppliers; and
- ⌘ Listening to our employees to help create a healthier, more fulfilling work experience.

This document is just a brief summary of our work in fiscal year 2007. Please visit us at **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.

In peace,



Michael Dupee
Vice President, Corporate Social Responsibility



About **Our Company**



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 2005, 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 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.



More than 3.2 million cups of Green Mountain Coffee are consumed and over 2.5 million K-Cup® portion packs are brewed every day. We have been a publicly traded company since 1993 (NASDAQ: GMCR); our 10- and 5-year returns are 1,897% and 763%, respectively. 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 Kenyan Highland Cooperatives coffee a 96 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 2 years in a row (#1 in 2006

and 2007, #2 in 2005, #5 in 2004, and #8 in 2003).

Our Green Mountain Coffee division (the GMC segment) sources, roasts, and sells over 100 selections, including estate, certified organic, Fair Trade Certified™, Signature blends, and flavored varieties under the Green Mountain Coffee® and Newman's Own® Organics brands. Most of our GMC segment's revenue comes from our wholesale business, but we also operate a direct mail business and an e-commerce web site.

Our Keurig segment has pioneered, and is a leading manufacturer of, gourmet single-cup brewing systems. The Keurig® Single-Cup Brewing System has caught on all over the country and become one of our main growth engines.



Financial Performance (dollars in thousands)

	FY '05	FY '06	FY '07
GMC segment net sales (excluding affiliate sales)	161,536	206,052	230,487
Keurig segment (excluding affiliate sales)	NM	19,271*	111,164
GMCR, Inc. net sales	161,536	225,323	341,651
GMCR, Inc. net income	8,956	8,443	12,843
Total resources allocated to social and environmental programs	756	1,040	1,150
Total resources allocated to social and environmental programs as a percentage of pre-tax income	5.0%	6.9%	5.3%

* In FY '05, GMCR, Inc. purchased all the outstanding shares of Keurig®, Inc. Amounts presented for Keurig in FY '06 are for the period from the acquisition date of June 15, 2006 until September 30, 2006.

Total Coffee Pounds Shipped By Channel — GMC Segment (in thousands)

	FY '05	FY '06	FY '07
Supermarkets	5,761	6,258	6,412
Convenience stores	5,392	5,863	5,640
Office coffee service	4,982	5,947	7,080
Resellers	NA	561	1,043
Food service	3,058	4,964	5,429
Consumer direct	686	896	1,214
Total	19,879	24,489	26,818

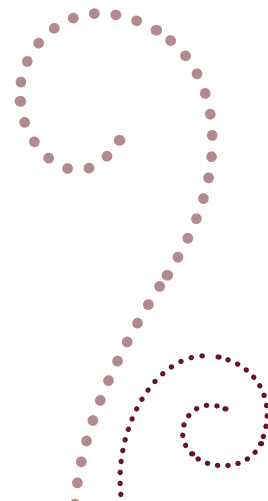
Keurig System Growth

	FY '06	FY '07
Keurig brewers sold	247,000	479,000
K-Cup® portion packs sold - GMC segment only (thousands)	255,412	359,056
K-Cup® portion packs sold - systemwide (thousands)	448,880	638,298

The Opportunity

Our vision is for all businesses, especially ours, to be agents for positive change in the world. Our long-term viability as a business is inextricably linked to the ecological and social viability of the communities where we work. We embrace our economic and moral obligation to do business in a way that creates opportunity, stability, and hope.

Coffee is the world's second-largest traded commodity, trailing only oil. With an estimated 25 million coffee farmers in the world and 100 million people working in the coffee industry in total, we have a remarkable opportunity to touch the lives of so many people through the coffee and the single-cup brewing machines we produce.



Our Social & Environmental Bottom Lines



Broadly, our mission regarding social responsibility has been consistent over the years. We have worked to understand our impact in the communities we touch and to create positive and sustainable change through our business practices and community outreach.

In FY '05, we decided to define our social and environmental bottom lines more explicitly by aligning them with the United Nations Millennium Development Goals (MDGs). Specifically, we've focused on MDG #1 — eradicating extreme poverty and hunger — and #7 — ensuring environmental sustainability — because we believe they have the most potential to enable ongoing positive change.

United Nations Millennium Development Goals

1. Eradicate extreme poverty and hunger
 2. Achieve universal primary education
 3. Promote gender equality and empower women
 4. Reduce child mortality
 5. Improve maternal health
 6. Combat HIV/AIDS, malaria, and other diseases
 7. Ensure environmental sustainability
-

And sure enough, our commitment to these goals has already shown results:

- ✧ Our sales of Fair Trade Certified™ coffee now account for over 27% of total coffee pounds shipped in FY '07.
- ✧ We've developed enterprise-wide goals and programs to reduce energy use and solid waste.
- ✧ We're designing and funding research in coffee-growing communities that focuses on understanding and reducing poverty and hunger.
- ✧ We're funding grants that support microfinance, education, health care, income diversification, nutrition, organic farming, Fair Trade, responsible energy use, and countryside clean-ups in our home state of Vermont.
- ✧ We're developing an annual volunteerism calendar that focuses our efforts on poverty reduction, hunger alleviation, waste reduction, and responsible energy use.
- ✧ We've revised our grantmaking guidelines to focus explicitly on the issues of poverty reduction, hunger alleviation, waste reduction, and responsible energy use.

Our FY '07 Accomplishments

Brewing A Better World means creating positive results in six key areas:

- ‡ Partnering with Coffee-Growing Communities
 - ‡ Supporting Local Communities
 - ‡ Protecting the Environment
 - ‡ Promoting Sustainable Coffee
 - ‡ Working Together for Change
 - ‡ Creating a Great Place to Work
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This year, we've met — and even surpassed — many of our goals. Here are a few accomplishments of which we're most proud.

- ‡ Sales of Fair Trade Certified™ (organic and non-organic) coffees represented over 27% of total coffee pounds shipped in FY '07, up from 26.7% in FY '06.
- ‡ Sales of certified organic coffees represented over 21% of total coffee pounds shipped in FY '07, up from about 20% in FY '06.
- ‡ We commissioned new field research in Guatemala, Mexico, and Nicaragua to help us better understand the causes of poverty and hunger in coffee-growing communities and deploy our resources to combat these issues.
- ‡ We created a new fund to help coffee-growing communities recover from natural disasters, and contributed \$50,000 to the fund.
- ‡ Our total outreach to local and coffee-growing communities grew to over \$1.1 million through our grantmaking, volunteerism, and product donations programs.
- ‡ Over 31% of GMC employees volunteered in their local communities through our CAFESM Program, which provides employees with paid time off during their normal workday for volunteer activities.
- ‡ We beat our waste reduction goal, cutting our solid waste metrics by 19%, as compared to FY '06 results, by systematically composting organic waste from our production processes.
- ‡ We installed a biodiesel fueling station for our fleet, reducing the carbon footprint of our distribution fleet by as much as 20%, depending on the fuel mix.
- ‡ We introduced new packaging for our Newman's Own® Organics coffee line which is made with 19% poly-lactic acid, a biopolymer made from renewable resources.
- ‡ Our employees achieved over 40 hours of training and education, on average.
- ‡ We reduced injury frequency by 16% and injury severity by 9%, as compared to FY '06 results.



Our Challenges

But we're not about to rest on our laurels — we still face ongoing challenges, like these:

- ✧ Increasing our sourcing of sustainable coffees.
 - ✧ Reducing and mitigating our carbon footprint.
 - ✧ Implementing an Environmental Management System (EMS).
 - ✧ Developing more systematic stakeholder engagement.
 - ✧ Reducing our energy usage as well as the amount of waste we send to landfills.
 - ✧ Communicating clear expectations of conduct to our entire supply chain.
 - ✧ Supporting diversity in our organization.
 - ✧ Increasing participation in our workplace volunteerism programs.
 - ✧ Improving our social responsibility metrics.
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Learn more at >

[BrewingaBetterWorld.com](https://www.brewingabetterworld.com)





Partnering with **Coffee-Growing Communities**

Our business's health and success depends on that of the farmers we work with, so investing in sustainable agriculture and healthy communities makes business sense. It's also the right thing to do.

Grants are a core part of what we do to support the coffee-growing communities that we work with, but so too is the research that underpins the grantmaking: without research geared toward understanding poverty and hunger in the regions where we get our coffee, we wouldn't be able to make informed and intelligent decisions about where our support can make the most impact.





This year, we deepened our understanding of issues facing coffee-growing communities in Nicaragua, Guatemala, and Mexico, by conducting one-on-one interviews with small-scale coffee farmers and their spouses. These interviews — coupled with input from our partners, the Sustainable Food Laboratory and the International Center for Tropical Agriculture (CIAT) — shed light on a phenomenon known as “los meses flacos” or “the thin months,” a period during the year in which many families are challenged to maintain a normal diet due to fluctuations in the price of food staples, insufficient income from coffee, and a lack of alternatives to coffee-growing for income. Our developing understanding of “los meses flacos” will now help guide our support of these communities in the future. We hope that, working hand-in-hand with the affected communities, we can help to alleviate and possibly even eliminate the phenomenon, share our results with communities who face similar challenges, and share our learning with companies interested in understanding the social and environmental issues embedded in their supply chains.

There are other ways in which we’re working at becoming even more informed about issues facing our growers, as well. For example, we recently entered into an agreement with the Government of Ethiopia to help determine ways that Ethiopian coffee-farming families can enjoy a greater return for their fine coffees. Also, we’ve created a new mechanism to fund relief efforts in the aftermath of natural disasters in coffee-growing communities, an outgrowth of the powerful lessons we learned during the tsunami of 2004.



In 2007, we made over \$440,000 in grants to support socially and environmentally responsible projects. We’ve made over \$1 million in grants to coffee-growing communities over the past 3 years.

Partnering with Coffee-Growing Communities

Purchasing*	FY '05	FY '06	FY '07
Fair Trade Certified™ lbs. (non-organic) purchased	1,501,500	2,511,564	2,593,584
Fair Trade Certified™ organic lbs. purchased	4,321,440	8,058,912	6,988,374
All Fair Trade Certified™ lbs. (organic and non-organic) purchased	5,822,940	10,570,476	9,581,958
Farm Identified lbs. (non Fair Trade Certified™) purchased	6,062,260	4,514,500	3,356,406
Conventionally sourced lbs. purchased	12,943,644	16,788,168	20,196,666
Total coffee lbs. purchased	24,828,844	31,873,144	33,135,030
Fair Trade Certified™ lbs. (non-organic) purchased as a percentage of total lbs. purchased	6.05%	7.88%	7.83%
Fair Trade Certified™ organic lbs. purchased as a percentage of total lbs. purchased	17.40%	25.28%	21.09%
All Fair Trade Certified™ lbs. (organic and non-organic) purchased as a percentage of total lbs. purchased	23.45%	33.16%	28.92%
Farm Identified lbs. (non Fair Trade Certified™) purchased as a percentage of total lbs. purchased	24.42%	14.16%	10.13%
Conventionally sourced lbs. purchased as a percentage of total lbs. purchased	52.13%	52.67%	60.95%
Pricing*			
Fair Trade Certified™ lbs. (non-organic) — average price per lb.	\$1.50	\$1.53	\$1.53
Fair Trade Certified™ organic lbs. purchased — average price per lb.	\$1.76	\$1.72	\$1.74
All Fair Trade Certified™ lbs. (organic and non-organic) purchased — average price per lb.	\$1.69	\$1.68	\$1.69
Farm Identified only — average price per lb.	\$1.27	\$1.41	\$1.41
Conventionally sourced — average price per lb.	\$1.26	\$1.32	\$1.32
Total coffee purchases — average price per lb.	\$1.37	\$1.45	\$1.46
Grantmaking			
Total grant / matching donation dollars to coffee-growing communities	\$284,026	\$374,313	\$442,765

*GMC segment only

Here's a snapshot of the organizations that we collaborate with to bring about positive change in coffee-growing communities:

Root Capital

www.rootcapital.org

Root Capital (formerly EcoLogic Finance) is a key partner in our work in coffee-growing communities. A nonprofit organization offering affordable credit and financial education to community-based businesses in environmentally sensitive areas of the developing world, Root Capital helps keep many of our coffee-growing partners thriving and in business.

Since 2000, Root Capital has provided \$80 million in loans to cash-strapped farmers who otherwise would have been forced to sell their coffee at a fraction of market prices. Of that sum, \$40.4 million has gone specifically to our suppliers — individuals or organizations that, in traditional financing, would be considered “unbankable.” In FY '07, we contributed the third of four \$55,000 installments that support financial and business training to the members and managers of rural producer cooperatives in the communities where Root Capital operates.

At last count, 1,300 individuals had participated in the trainings, helping spread the benefits of the program across 24 cooperatives, representing over 20,000 members.



The Sustainable Food Laboratory

www.sustainablefoodlab.org

In 2006, we launched an initiative with the Sustainable Food Lab, CIAT (International Center for Tropical Agriculture), ForesTrade, and other stakeholders in our supply chain, to develop Key Performance Indicators (KPIs) related to poverty and hunger in coffee-growing communities. Our intent is to work collaboratively with our suppliers and NGOs in coffee-growing communities to increase understanding, develop goals and measure the impact of our work together. This year, our research with these partners helped us to understand “los meses flacos” — the two to seven months per year when families’ earnings from coffee have largely been depleted, and the price of corn and beans is very high. During these months, families are challenged to provide themselves a “normal” diet. Now we’re armed with knowledge that will help us become more effective in our community outreach — including devising strategies to fend off “los meses flacos” — and more accountable for being good partners to these communities.



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Coffee Kids®

www.coffeekids.org

Coffee Kids®, Inc. is a nonprofit organization working in Latin America that recognizes the fact that many coffee-farming families live in poverty because they are dependent solely on coffee — a crop with a price that fluctuates daily. To combat the economic instability that accompanies unstable prices, Coffee Kids® works with coffee-growing communities to create and support programs in economic diversification, education and community development that stimulate local economies and create stable income and new opportunities for families. In FY '07, we contributed \$90,000 to support five Coffee Kids® programs from Mexico to Peru.



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Grounds for Health

www.groundsforhealth.org

Grounds for Health (GFH) is an international nonprofit organization that provides health care services in coffee-growing communities. It works to create sustainable and effective cancer screening programs with a primary focus on the early detection of cervical cancer — the leading cause of cancer death among women in developing countries. In FY '07, we contributed \$38,344 to GFH, which it channeled toward improving the quality and sustainability of its programs and increasing the organization's visibility within the specialty coffee industry.



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Heifer International®

www.heifer.org

Heifer International®, founded in 1944, is a nonprofit organization dedicated to ending world hunger by providing a sustainable source of income through gifts of livestock and training. Both our organizations are committed to supporting projects that foster self-sufficiency and individual empowerment. We have partnered with Heifer International® to diversify incomes of coffee growers by raising animals, create a stable market for coffee, and raise awareness among consumers of how their purchases can support sustainable development.

During FY '07, we contributed approximately \$16,000 to Heifer International® through company matches of employee donations and portions of the proceeds from the sale of Heifer Hope Blend, a Fair Trade Certified™ organic coffee.

We've also collaborated with Heifer International® on the development of the GET IT! Curriculum, a service-learning course of study for middle-school students that turns them into investigative reporters and sends them on the trail to answer global questions about Fair Trade, imports and exports, and other issues. To date, GET IT! packets have been distributed to approximately 128,700 students in 1,716 schools. For more information on Heifer's unique model of sustainable development, go to www.heifer.org.



Learn more at >
BrewingaBetterWorld.com



Supporting **Local Communities**

It's just as important to us to be good partners to our local communities as it is to be good partners to the coffee-growing communities in other countries. That means getting involved back home, in the communities where we live, work, and sell our products, to make sure that we're brewing the best kind of social and environmental change in our own backyard.

Since 1999, we have supported local communities through our Brewing A Better World Fund in four ways: grantmaking, employee volunteerism, in-kind donations of products and equipment, and matching our employees' cash giving.



Brewing A Better World Fund supports:

Grantmaking

We support organizations aligned with our social and environmental goals through our Brewing A Better Word Fund.

Community Action For Employees (CAFEsm Program)

Our volunteerism program provides employees with paid time off to volunteer in their communities — up to 52 hours per year.

Product and Equipment Donations

What's an event without great coffee? We donate coffee and other products to nonprofit organizations for fund-raisers, events, or so hard-working staff members can enjoy a cup of our brew anytime of the day.

Matching Donations

We encourage employee giving by matching charitable gifts up to \$500 per year per employee.

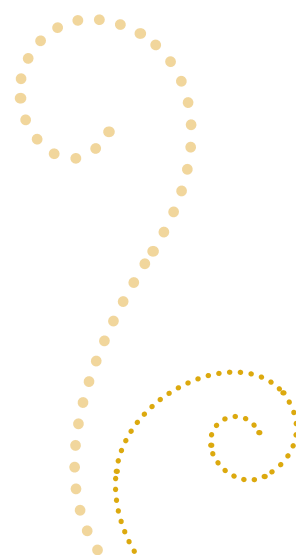
This year, we are expanding our support for local communities in a couple different ways. We're strengthening our employee volunteerism program by launching a new "Dollars for Doers" initiative that will recognize outstanding volunteers by making cash grants to the organizations with which they volunteer. We're also launching a new initiative with our employees to help them reduce their residential greenhouse gas footprint through positive, informed lifestyle and consumer choices.



Partnering with Local Communities

Grantmaking	FY '05	FY '06	FY '07
Total grant / matching donation dollars to local communities	\$267,133	\$310,334	\$257,138
CAFESM Program*			
Employees volunteering through CAFE SM Program	174	270	235
Average number full-time employees	578	700	737
Employees volunteering through CAFE SM Program as a percentage of average full-time employees	30.10%	38.57%	31.89%
Hours volunteered through CAFE SM Program	2071.5	4057.8	3903.9
Average hours volunteered per full-time employee	3.6	5.8	5.3
Dollars allocated to CAFE SM Program volunteer program	\$57,640	\$99,092.93	\$94,071
In-kind Donations*			
Product donations (allocated dollars at cost)	\$140,902	\$215,050.65	\$318,963
Donations of equipment and administrative supplies (allocated dollars at cost)	\$7,197	\$41,752.64	\$9,752

*GMC segment only



Grantmaking

We made over \$250,000 in grants to local communities to support socially and environmentally responsible projects. Here are some of the highlights:

VT Feed/Burlington School Food Project

www.vtfeed.org

We contributed \$25,000 to help integrate healthy local foods into the school meals of children in Burlington, VT. This program both improves the diets of many low-income children and increases school-aged children's knowledge of healthy eating habits.



National River Cleanup Week

www.nationalrivercleanup.org

We contributed \$20,000 to support National River Clean-Up Week (a program sponsored by American Rivers, www.americanrivers.org) for the third year in a row. Over 100 of our employees cleaned up a three-mile stretch of the Winooski River, pulling over 520 tires from the river to be recycled.



ReCycle North

www.recyclenorth.org

We contributed \$7,000 to Recycle North to support their Essential Goods Program, which distributes vital, recycled household goods and building materials to families in need and provides job training.



Vermont Campaign to End Childhood Hunger

www.vtnohunger.org

A \$5,000 grant helped underwrite the production of a documentary film about hunger in Vermont that will be shown to audiences of service providers, school officials, and community members.

Employee Volunteerism

Since 1993, we have provided paid time off for employees who want to volunteer for nonprofit and community-based organizations. Through our innovative Community Action For Employees (CAFESM Program), employees can spend up to 52 hours per year (2.5% of scheduled work hours) volunteering in their communities during normal work hours. For our employees, CAFESM Program presents an opportunity to develop leadership skills, feel more connected to their communities and their workplace, and to feel even better about themselves and their work. For us, the CAFESM Program creates a happier and more motivated workforce, and a more intimate connection with our community.

In FY '07, our employees volunteered 3,904 hours of community service time to local schools, foodbanks, the American Red Cross, National River CleanupTM, and Grounds for Health. The dollar value of this contributed time and talent, based on the wages earned and hours volunteered, was approximately \$94,000.



In-kind Donations

Our Corporate Donations Program offers coffee to brew, giveaway coffee packages, raffle items, and auction gift boxes. In FY '07, we donated over 38,000 pounds of our coffee and related products, as well as office equipment and services, valued at a cost of over \$328,000, to more than 1,800 nonprofit organizations who make good use of them at their events.



Learn more at >

BrewingaBetterWorld.com





Protecting the **Environment**

We work to protect the environment in a number of different ways, again always keeping an eye on how our business decisions impact the “big picture.”



Waste reduction and responsible energy use are two of our top priorities, and have been, from way back in '83, when we began composting in our retail coffee shops. Then in '89, we developed Earth-Friendly™ Coffee Filters. More recent examples of our commitment to protecting the environment include working with International Paper to bring to market the world's first to-go cup made with renewable materials, installing an on-site biodiesel fueling station, and embracing carbon offsets.

Here are just a few of our environmental accomplishments in FY '07:

- ♻️ Solid waste to the landfill from our GMC segment decreased by 19%, well ahead of our 10% reduction goal, primarily due to the composting of organic waste generated in the coffee roasting process.
- ♻️ We introduced new packaging for our Newman's Own® Organics coffee packages which is made with 19% poly-lactic acid, a biopolymer made from renewable resources.
- ♻️ We reduced our greenhouse gas (GHG) footprint through the installation of a biodiesel fueling station at our distribution center in Waterbury, VT, and broadened our emissions mitigation efforts by offsetting emissions related to outbound freight shipments that we control.



Protecting the Environment

Waste	FY '05	FY '06	FY '07
Solid waste to landfill as a percentage of net sales, Waterbury facilities only (tons / \$1,000,000)	2.77*	2.6*	2.09*
Energy			
Direct energy use as a percentage of net sales (therms / \$1,000)	7.97*	6.76*	7.29
Emissions			
Scope 1 — direct emissions	5,438*	5,650*	7,193
Scope 2 — purchased electricity	559*	581*	993
Scope 3 — indirect emissions	2,111*	6,791*	17,309
Total estimated emissions	8,108*	13,022*	25,495
Total offsets purchased	9,823*	15,164*	25,495

*GMC segment only

Carbon Offsets

We also support the development of new renewable energy facilities through our greenhouse gas offset program. We began this offset program in FY '03, and since then have expanded it to include estimated emissions from our delivery fleet, operations energy use, business and air travel, and commuting, as well as direct emissions from the common carriers and parcel services that we hire.

To offset our emissions, we purchase renewable energy credits (RECs) from *NativeEnergy* (www.nativeenergy.com). These RECs represent the environmental benefits from introducing new renewable energy sources to the grid, displacing dirtier fossil resources. In FY '07, we offset our emissions

by helping build family farmer-based renewable energy projects, such as Midwest farmer-owned wind turbines and Vermont farmer-owned methane digesters.

Biodiesel

In July of 2007, we began operating a 10,000 gallon biodiesel tank and pump that fills our local truck fleet with a blend of diesel fuel and renewable resources. By substituting up to 20% biofuel to our diesel mix, we are directly reducing the GHG impact of our fuel by up to 20%. The potential annual reductions are significant, as fuel used by our distribution fleet accounts for approximately 9.5% of our total footprint.



Greenhouse Gas Emissions (short tons)

GMC Segment	FY '05	FY '06	FY '07
Scope 1 – direct emissions	5,438	5,650	6,777
Scope 2 – purchased electricity	559	581	712
Scope 3 – indirect emissions	2,111	6,791	12,899
Total estimated emissions	8,108	13,022	20,388
Keurig Segment	FY '05	FY '06	FY '07
Scope 1 – direct emissions	nm	nm	417
Scope 2 – purchased electricity	nm	nm	280
Scope 3 – indirect emissions	nm	nm	4,410
Total estimated emissions	nm	nm	5,107
GMCR, Inc.	FY '05	FY '06	FY '07
Scope 1 – direct emissions	5,438	5,650	7,193
Scope 2 – purchased electricity	559	581	993
Scope 3 – indirect emissions	2,111	6,791	17,309
Total estimated emissions	8,108	13,022	25,495
Total offsets purchased	9,823	15,164	25,495

Energy Usage

Responsible energy use means being more efficient with the energy we use, together with using and supporting renewable energy sources whenever possible. For us, responsible energy use has meant undertaking a wide array of new challenges, like including Keurig in our energy consumption calculations and setting aggressive goals for ourselves in terms of reducing our energy usage. It's also meant that we've invested considerable resources in measuring how — and where — we use energy: a very important step toward reduction.

FY '07 was our first year measuring energy usage from both our GMC and Keurig segments. Enterprise-wide energy usage was at 6.17 therms per \$1,000 net sales. We missed our

goal for FY '07, which was to reduce our energy usage in the GMC segment by 5%. Actual energy usage was 7.29 therms per \$1,000 net sales, an 8% increase, as compared to our goal of 6.42 therms per \$1,000 net sales.

However, we would have attained a 2% reduction in our overall energy metric from the prior year, had we not: (1) internalized the energy use required to produce nitrogen onsite when we previously outsourced that function; and (2) updated our assumptions with regard to energy use from employee commuting.

Energy Use (therms)

GMC Segment	FY '05	FY '06	FY '07
Scope 1 — direct energy	757,484	806,486	935,002
Scope 2 — purchased electricity	175,844	177,062	217,245
Scope 3 — indirect energy	353,496	419,108	611,950
Total therms	1,286,824	1,402,656	1,764,196
Net sales, including affiliates (in \$1,000)	\$161,536	\$207,582	\$241,958
Normalized energy metric (therms/\$1,000 sales)	7.97	6.76	7.29
Keurig Segment	FY '05	FY '06	FY '07
Scope 1 — direct energy	nm	nm	57,475
Scope 2 — purchased electricity	nm	nm	13,779
Scope 3 — indirect energy	nm	nm	273,372
Total therms	nm	nm	344,626
Net sales, including affiliates (in \$1,000)	nm	nm	\$134,771
Normalized energy metric (therms/\$1,000 sales)	nm	nm	2.56
GMC, Inc.	FY '05	FY '06	FY '07
Scope 1 — direct energy	757,484	806,486	992,476
Scope 2 — purchased electricity	175,844	177,062	231,024
Scope 3 — indirect energy	353,496	419,108	885,322
Total therms	1,286,824	1,402,656	2,108,822
Net sales, excluding affiliates (in \$1,000)	\$161,536	\$207,582	\$341,651
Normalized energy metric (therms/\$1,000 sales)	7.97	6.76	6.17

Waste Stream (GMC Waterbury Facilities)

	FY '05	FY '06	FY '07
Solid waste composted (tons)	NA	110	289
Solid waste composted (tons) / \$1,000,000 net sales	NA	0.53	1.20
Solid waste recycled (tons)	182	153	242
Solid waste recycled (tons) / \$1,000,000 net sales	1.13	0.74	1.00
Solid waste to landfill (tons)	447	540	503
Solid waste to landfill as percentage of net sales (tons / \$1,000,000)	2.77	2.60	2.08
Total solid waste (tons composted, recycled, and landfilled)	629	803	1,035
Total solid waste (tons composted, recycled, and landfilled / \$1,000,000 net sales)	3.89	3.87	4.28

Waste Reduction

In FY '06, we produced 803.3 tons of solid waste, of which 540 tons went right to the landfill. For FY '07, we set ourselves a goal to reduce our waste-to-landfill metric by 10%. The

result? We actually achieved a 19% reduction — nearly twice our goal!

We accomplished this primarily through the benefit of our first full year working a systematic organic waste diversion program with a local composter. Through this program, burlap bags and coffee chaff, our two most significant

organic waste streams generated from roasting coffee, are diverted out of our landfill-waste stream. We send them to local organizations like the Intervale Center, a local sustainable agricultural project, that use these materials as feedstock for high-quality compost. In FY '07, 289 tons of organic materials were diverted from our waste-to-landfill stream and redirected to support local efforts in environmentally sustainable agriculture.



The ecotainer™

Last year, Americans used more than 14 billion disposable paper cups. Put end to end, those cups could circle the earth 55 times.

We chose to do something about it. We collaborated with International Paper (IP), to develop a new cup made with renewable resources. It's called the ecotainer™, and its paper comes from sustainably managed tree farms, so there's no damage to old-growth forests. Its liner is made from corn in a greenhouse-gas neutral process, and it breaks down completely, under the right composting conditions.

We calculate that thus far we've kept nearly half a million pounds of petrochemicals out of landfills by offering and using the ecotainer™ in both the GMC and Keurig segments. It's a small step toward reducing our environmental footprint, but enough to receive the Specialty Coffee Association of America's 2007 Sustainability Award.



The Keurig® Single-Cup Brewing System

As the single-cup coffee market and our Keurig brewing systems grow in popularity, we understand that the impact of the system is one of our most significant environmental challenges.

Finding a more environmentally-friendly approach to the packaging challenge represented by the K-Cup® portion pack waste stream is a big priority for us:

- ⚡ We are actively researching alternatives to the petroleum-based materials that make up the majority of our packaging.
- ⚡ We will commission Life-Cycle Analysis in FY '08 to help us quantitatively understand the environmental impact of the K-Cup portion pack as it compares to using a typical drip-brewer and identify the best opportunities to reduce its impact.
- ⚡ We are working to identify the right definition of “environmentally-friendly” for the Keurig system and all our packaging. Since the term “environmentally-friendly” can mean many things (carbon-neutral, biodegradable, compostable, petroleum-free, etc.), we are researching what is possible today and tomorrow, taking into account the current state of packaging technology, consumer preferences, community infrastructure, performance requirements, and the demands of the marketplace.
- ⚡ We continue to offer the My K-Cup® product, a reusable filter assembly that can be refilled by the consumer, is easily cleaned, and is compatible with all Keurig home brewers sold today.

On the brewer side, all Keurig engineers have been trained on the European RoHS directive, which restricts the use of certain hazardous substances in electrical and electronic equipment, and we intend all Keurig brewers to be RoHS-compliant by the end of calendar 2008.



Learn more at >

BrewingABetterWorld.com





Promoting **Sustainable Coffee**

Sourcing — the choice of how, where, and from whom we buy our coffees — presents an incredible opportunity to improve the quality of life for coffee growers and their families.

Over the last few hundred years — and even more so in the past twenty — global trade has replaced trade that relied on local, small-scale producers who generated diverse products. This commodity system is incredibly complex and sustains billions of people across the globe, and that’s a good thing. But as with most agricultural commodities these days, coffee is often traded anonymously, mostly with no opportunity for transparency. The good news is that the specialty coffee industry is working hard to devise a sourcing system that distributes value equitably through the supply chain and supports sustainability in coffee-growing communities.



Several models have evolved to address the anonymity of commodities and to create opportunities for more equitable trade. One is Fair Trade, a market-based approach that restores balance to the power dynamic in the coffee supply chain and ensures that co-ops and farmers get a fair price for their beans. We've been a part of this trade revolution because we are deeply committed to the notion that the coffee industry depends on sustainable practices, and sustainability relies on a supply chain that recognizes value fairly and responsibly.



In FY '07, over 27% of the coffee we sold was Fair Trade Certified™ — a figure that has increased each year since 2000, when we began sourcing and selling Fair Trade Certified™ coffees.

Promoting Sustainable Coffee

Sales*	FY '05	FY '06	FY '07
Fair Trade Certified™ lbs. (non-organic) shipped	1,381,341	1,732,010	1,634,447
Fair Trade Certified™ organic lbs. shipped	2,667,703	4,918,881	5,705,920
All Fair Trade Certified™ lbs. (organic and non-organic) shipped	4,049,044	6,650,891	7,340,367
Total coffee lbs. shipped	19,879,000	24,874,895	27,113,606
Fair Trade Certified™ lbs. (non-organic) shipped as a percentage of total lbs. shipped	6.95%	6.96%	6.03%
Fair Trade Certified™ organic lbs. shipped as a percentage of total lbs. shipped	13.42%	19.77%	21.04%
All Fair Trade Certified™ lbs. (organic and non-organic) shipped as a percentage of total lbs. shipped	20.37%	26.74%	27.07%

*GMC segment only

What is Fair Trade?

Fair Trade is an innovative, market-based approach to sustainability that restores balance to the power dynamic in the coffee supply chain. Fair Trade Certified™ means co-ops and their farmers get a fair price for their beans. Every pound sold has a minimum price they can count on: \$1.31 per pound for conventionally grown; \$1.51 per pound for organic. These prices exceed the co-op's cost of production, increasing resources for health care and education and helping farmers feed their families.

To qualify for Fair Trade certification, farmers must belong to a democratically organized co-op. Because they get a fair price, these small family farmers can grow coffee with respect for community and the land, avoiding cost-cutting practices that sacrifice quality and the environment's health.

Fair Trade certification includes rigorous environmental standards as well, and, 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.



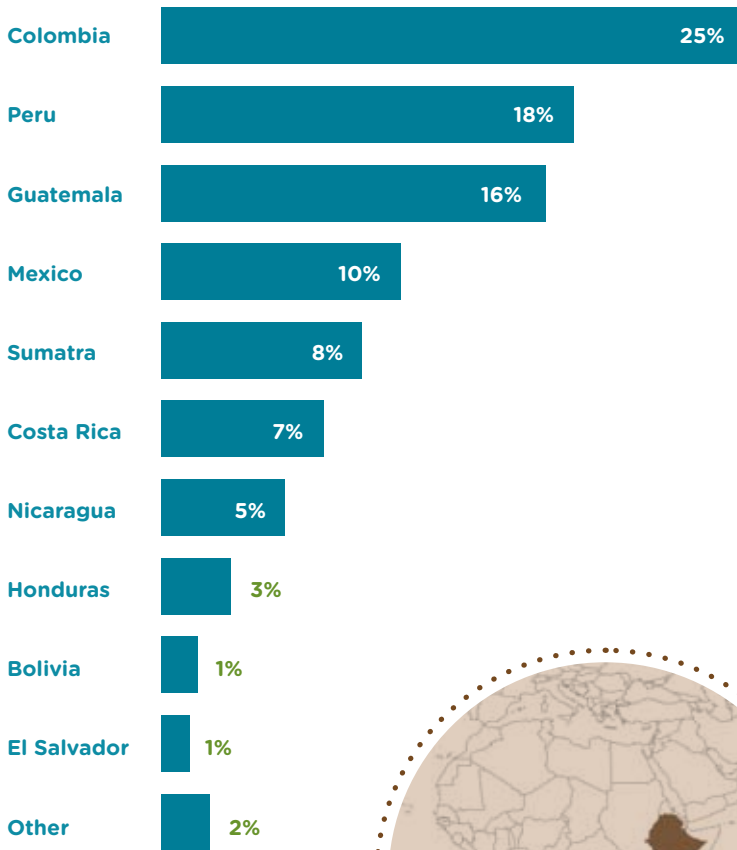
Building the Market for Fair Trade

We are a leader in bringing more sustainable coffee to mainstream consumers. From our Stewardship® program in the early 1990s, to our Fair Trade Certified™ K-Cup® portion packs, we have found creative ways to connect our consumers with socially and environmentally responsible coffees. Our efforts have helped educate consumers, build a healthy market for Fair Trade Certified™ coffees, and develop a means to address poverty and hunger in coffee-growing communities. Feedback from our customers and consumers has encouraged us to expand these products more each year, integrating Fair Trade Certified™ coffees into our standard product lines, and promoting the Fair Trade story around the world.

Building the market for Fair Trade Certified™ coffee means creating great new products — such as Double Bean Elixir™, the world's first organic coffee soda made with Fair Trade Certified™ coffee, which we developed with JavaPop, Inc. — and improving existing ones — like converting existing products to Fair Trade Certified™ sources. We've also worked hard to win new customers and convert existing ones, partnering with other companies like Ben & Jerry's and Bruegger's, and working with nonprofits like Oxfam America and United Students for Fair Trade to build awareness of Fair Trade.



Our Coffee Purchase Breakdown



Other:

Kenya, Brazil, Ethiopia,
Java, Equador, Tanzania,
Rwanda, Kona, Papua
New Guinea, Timor

A Global Movement

The great news is that many in the coffee industry are working to change the way coffee is grown, purchased, and consumed. In recent years, Procter & Gamble, Starbucks, Nestlé, and Dunkin' Donuts have made or renewed commitments to Fair Trade Certified™ coffees, while Kraft has developed a new coffee product certified by Rainforest Alliance as sustainably grown. Other organizations have developed different certification standards to help us all move forward on the path to sustainability, such as UTZ CERTIFIED, the Common Code for the Coffee Community, and Smithsonian Bird Friendly® coffees.

Smaller companies like Equal Exchange, Pura Vida, and Dean's Beans® are providing leadership by purchasing 100% of their coffee through Fair Trade Certified™ sources. Civil-society organiza-

tions like TransFair USA, Oxfam America, Co-op America and United Students for Fair Trade are informing, energizing, and mobilizing the public, encouraging consumers to seek out and buy high-quality products that meet social and environmental standards. These developments give us hope and reason to be thankful. But there is work yet to be done.

It is imperative that we coordinate our efforts as we strive toward the same goal: a sourcing system that produces high-quality coffee, distributes value equitably throughout the supply chain, supports the health and empowerment of coffee-growing communities, and is environmentally restorative. We must transform the possibility of responsible supply chain into a reality.

Fair Trade Certified™ Lbs. Shipped (GMC Segment)

	FY '05	FY '06	FY '07
Fair Trade Certified™ lbs. shipped (non-organic)	1,381,341	1,732,010	1,634,447
Fair Trade Certified™ organic lbs. shipped	2,667,703	4,918,881	5,705,920
All Fair Trade Certified™ lbs. shipped (organic and non-organic)	4,049,044	6,650,891	7,340,367
Total lbs. shipped (in millions)	19.8	24.8	26.8
Fair Trade Certified™ lbs. shipped (non-organic) as a percentage of total lbs. shipped	6.95%	6.96%	6.09%
Fair Trade Certified™ organic lbs. shipped as a percentage of total lbs. shipped	13.42%	19.77%	21.28%
All Fair Trade Certified™ lbs. shipped as a percentage of total lbs. shipped	20.37%	26.74%	27.37%

*GMC segment figures are based on fiscal years.

**Pounds shipped will not equal pounds purchased during a comparable period (A) because shipments and purchase cycles don't correspond exactly and (B) due to water loss in the roasting process (1.2 pounds of green coffee equals about 1 pound of roasted coffee).

Building A Sustainable Supply Chain

§ 1983

We began composting coffee grounds in our retail shop.

§ 1986

We conducted a retail market test with our first organic coffee.

§ 1990

We purchased our first coffee from an identifiable source — Aztec Harvest from Mexico.

We introduced Rain Forest Nut® coffee — made with Brazil nuts from the Amazon Rainforest, 10% of the profits from the sales of this coffee were directed to support Conservation International and Rainforest Alliance.

§ 1991

We sent our first group of employees to a coffee-growing community — La Minita Tarrazu in Costa Rica — to learn first-hand about growing coffee.

§ 1992

We created our Stewardship® program, which used our own criteria and on-site reviews to identify coffee-producing organizations committed to quality coffee, a healthy environment, and respectful treatment of workers and their families.

§ 1997

We introduced Organic Peruvian Select, the first coffee in our certified organic coffee line.

§ 1998

We expanded our certified organic line to five coffees, adding Organic House Blend, Organic Mexican Select, Organic Sumatran Reserve, and Organic Viennese Cinnamon.

§ 2000

We introduced our Fair Trade Certified™ line, including seven double-certified Fair Trade Certified™ organic coffees.

§ 2001

We increased our certified organic line to 27 coffees through our acquisition of Frontier Organic Coffee.

§ 2002

We collaborated with Newman's Own® Organics and Wild Oats to reach new markets and more consumers with the Fair Trade Certified™ organic message.

§ 2005

We converted our Limited Edition seasonal coffees to Fair Trade Certified™ and expanded to more than 40 Fair Trade Certified™ organic products, comprising over 20% of our total coffee lbs. shipped!

§ 2006



We increased our sales of Fair Trade Certified™ coffee and Fair Trade Certified™ organic products to over 26% of sales and began a long-term supply chain project focused on fighting poverty and hunger in coffee-growing communities.

§ 2007



Our sales of Fair Trade Certified™ coffees rose above 27% of total coffee pounds shipped, and we introduced Tanzanian Gombe Reserve, the world's first product to bear Jane Goodall's "Good for All" seal of approval. The seal represents the Jane Goodall Institute's commitment to top quality products, better pay for farmers, and environmental conservation.

Learn more at >

BrewingABetterWorld.com





Working Together for **Change**

Part of why we're in the coffee business is because it can be such an incredible agent for positive change on so many different levels. Whether it is partnering with NGOs that know each individual coffee-growing community's challenges best, collaborating with our vendors to promote fair labor standards and environmental responsibility, or making sure that our own employees have plenty of opportunities to learn and grow, we continually look for ways in which we can leverage relationships to make a positive impact on the many people that are touched, in one way or another, by our business.



Just this year, our commitment to collaboration has ensured that families in Waterbury, VT, can enjoy the clean river banks of the Winooski River; that more women have access to effective cancer screening programs to keep cervical cancer at bay, and that in Africa, Indonesia, and Latin America, thousands of children and families enjoy a vastly improved quality of life.

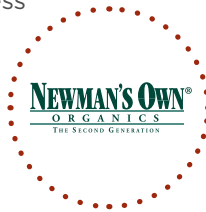
This notion — that we are all more powerful when we work together toward common goals — is, to us, fundamental to brewing a better world.



Here's a quick look how the coffee you might be familiar with is making a difference ...

Newman's Own® Organics

Our collaboration with Newman's Own Organics allows us to make Fair Trade Certified™ organic coffee available not just to patrons of specialty stores, but to all consumers. Since we first started collaborating with Newman's Own Organics in 2002, the company has become a leader in the organic coffee category and one of the fastest-growing national coffee brands in the U.S. Approximately 80% of Newman's Own Organic coffee sales are to supermarkets and quick-serve restaurants in thousands of locations, coast-to-coast. This means that not only has our business grown, but awareness has been building in the market about the importance of Fair Trade and income has been generated for the coffee-growing communities.



“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. Gombe is a dynamic cup, with violet-hued, jungle-bloom aromas and bold, tropical fruit flavors — mango, banana, and pineapple — and a finish that rivals the spirit and intensity of a young wine.

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.



“Our effort to involve local citizens in restoring the forests and practicing sustainable agriculture is the most important work we can do to ensure a future for the Gombe chimpanzees and the people of Africa.”
— Dr. Jane Goodall



National Wildlife Blend

National Wildlife Blend is comprised of Fair Trade and organic Central and South American coffees. Family-owned farms produce shade-grown coffees here that provide vital habitat for migratory songbirds.

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. This extraordinary cloud forest is home to the resplendent quetzal, spider monkey, jaguar, and tapir. Hundreds of butterfly species flit among giant tree ferns, bromeliads, and orchids. It is one of the few remaining unspoiled places in Mexico, and all of Latin America.

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. Nearly 400 species of birds have been recorded in the biosphere reserve. 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. 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.



Code of Vendor Expectations

A sustainable coffee supply chain is only as strong as every link in it, including non-coffee suppliers. With this in mind, in FY '07, we began developing a Code of Vendor Expectations. This Code covers a range of topics, from overall legal compliance, to child labor, to discrimination, to health and safety, to environmental responsibility. In FY '08, we'll continue to develop the Code, using it to audit our own Waterbury operations and help us engage with a handful of our key suppliers on these important social and environmental issues.



Calls to Action

We are all on a 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.

Coffee and Responsible Consumption

- ‡ If you serve, sell, or drink conventionally sourced coffee, try great tasting Fair Trade Certified™ and Fair Trade Certified™ organic coffees, and help build that market.
- ‡ If you are already serving, selling, or drinking Fair Trade Certified™ and Fair Trade Certified™ organic coffees, focus your promotional efforts and reach out to consumers with inspiring stories of hope and justice for farmers around the world. Let us know how we can help you do that.
- ‡ 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.
- ‡ To learn more about Fair Trade and responsible consumption in general, check out organizations like **TransFair USA** (www.transfairusa.org), **United Students for Fair Trade** (www.usft.org), **Oxfam America** (www.oxfam.org), **Co-op America** (www.coopamerica.org), and **the Center for a New American Dream** (www.newdream.org).
- ‡ If you are a teacher, work with youth, or are a concerned parent, check out the **GET IT! curriculum** (www.heifer.org), which teaches lessons involving geography, world cultures, history, journalism, marketing, and critical thinking focused on understanding the global impact of consumer decisions in the context of cut flowers, bananas, and coffee.
- ‡ If you invest money or are saving for your retirement, think about bringing your values into your investment decisions. Ask your investment advisor about the many options available to socially and environmentally responsible investors.

Supporting Local Communities

- ‡ Look into revitalizing your local community through innovative programs like those offered by **Business Alliance for Local Living Economies** (www.livingeconomies.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 and information, check out **Points of Light** (www.pointsoflight.org) and **United Way** (www.unitedway.org).
- ‡ See if your workplace offers a matching donation program. If they do, take advantage of it. If they don't, ask why not!
- ‡ Contact us about getting a donation of Green Mountain Coffee to help support your local nonprofit organization.
- ‡ Institute a sustainable coffee-purchasing program in your local community organization or government offices. Put public dollars to work in an easy way to help create a better world.

Creating a Great Place to Work

- ‡ Look into setting up new programs at your workplace, such as workplace volunteerism or matching donations. They are easy to set up and support the community as well as the business.
- ‡ Look into your office coffee program — are you buying Fair Trade Certified™ organic coffee? If you aren't, ask why not!



Protecting the Environment

- ‡ Calculate your carbon footprint and learn what you can do to reduce it — check out **Native Energy** (www.nativeenergy.com) and **Clean Air-Cool Planet** (www.cleanair-coolplanet.org).
- ‡ Conduct a home or office energy and eco-efficiency audit — check out **Efficiency Vermont** (www.encyvermont.org) to see how we do it in Vermont.
- ‡ Go organic! Check out the **Organic Trade Association** (www.ota.com) and the **Northeast Organic Farming Association** (www.nofa.org).
- ‡ Support local businesses and your local farmers' market. Check out **Business Alliance for Local Living Economies** (www.livingeconomies.org) to learn more.
- ‡ Look into alternate transportation for work commutes and other errands. Try public transportation, carpooling or riding your bike. Check out **Local Motion** (www.localmotionvt.org) and **Vermont Ride Share** (www.rideshare.org) to see how they work on transportation issues in Vermont.
- ‡ As always, try to reduce, reuse, and recycle. Check your local area for resources to help you manage your waste stream more effectively.

Learn more at >

BrewingABetterWorld.com





Creating a **Great Place to Work**

We know from experience that a “holistic” business model that takes environmental and social factors — including workplace atmosphere — into consideration with every business decision makes for a stronger business, period. In the workplace, a chain reaction occurs when employees are safe, have the opportunity to learn and grow, and have meaningful work: ideas and innovation flow among co-workers, customers are happier with our products, profits grow, and

then we have more human and financial capital to invest in sustainable business practices. Investing in our employees creates a complete cycle of engagement, improvement, and community building. A workplace in which all of our employees can take pride is fundamental to our business model.



We believe GMCR, Inc. is a great place to work. We support our employees through:

- ✧ Maintaining a thriving workplace with an inclusive culture of mutual respect, openness, and transparency.
- ✧ Paying fair and competitive compensation.
- ✧ Offering a comprehensive total rewards program.
- ✧ Supporting employees with an innovative Continuous Learning program that fosters self-development.
- ✧ Promoting wellness through a variety of proactive safety and health programs.

Here are some of our accomplishments in FY '07:

- ✧ All employees were invited to participate in the Great Place to Work® Trust Index®. In response to the survey, targeted action plans were developed to address areas of opportunity and growth.
- ✧ We committed to an enterprise-wide emphasis on continuous process improvement, rapid improvement events, and value stream analysis.
- ✧ We achieved our goal to fill 25% of open positions internally.
- ✧ We exceeded our Continuous Learning goal related to education and training, achieving 40 hours of education or training on average per employee, as compared to our goal of 30 hours.
- ✧ We met our goal of 10% improvement in our OSHA incidence rate (injury frequency). We slightly missed our goal of improving our OSHA DART rate (injury severity). Our goal was a 10% improvement and the actual results were about 9%.

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 2004 and 2005, we were honored to be named by the Great Place to Work® Institute as one of the 25 Best Medium Companies to Work for in America.

In 2007, both the GMC and Keurig segments participated in a consulting project with the Great Place to Work® Institute to deepen our understanding of our employees' perception of our workplace by department. Over 80% of employees participated in a survey, the results of which happily confirmed our belief that we have a strong culture and opportunities to make it better still. We've already developed corporate action plans to take us to the next level.

Diversity & Hiring

We seek talented individuals at every level, and we provide a variety of development programs to prepare our employees to assume greater leadership positions within the company. Hiring from within our organization helps provide opportunities for growth and career advancement. In FY '07, we met our goal of filling 25% of our open positions from within the organization.

But much as we like to hire from within, we also work with our local communities to identify promising talent that will lead to a diverse, healthy workforce at all levels of our company. A Diversity Council, now in its third year, helps to explore best practices in building and sustaining diversity. Two women served on our six-member Board of Directors at the end of FY '07. Two of our seven Executive Officers and three of eight direct-reports to the Chief Executive Officer are women.

Partners of our full-time employees all qualify equally for our benefits, whether they are spouses, domestic partners, or partners through a civil union. This policy, established in 1999, embodies the kind of respect for human dignity we expect in our workplace, and we believe it will help us attract a more diverse workforce, especially in areas outside Vermont.

Creating a Great Place to Work

	FY '05	FY '06	FY '07
Wages and Benefits			
Full-time employees earning GMCR Livable Wage	100%	100%	81%
Company payment of insurance premiums (percentage, on average)*	90%	90%	90%
Dollars spent on medical benefits as a percentage of payroll*	13.10%	19.13%	13.80%
Hiring and Development			
Internal hiring*	11.50%	24.20%	25.00%
Hours in training / continuing education*	17	33	40
Percentage of full-time employees who have visited coffee-growing communities	21.40%	22.50%	18.50%
Safety			
Injury severity (DART Rate)*	6.05	5.07	4.61
Workers' compensation claims	51	60	84
Injury frequency (total recordable incidence rate)*	7.41	5.64	4.73
Occupational fatalities	0	0	0
Interstate experience modification factor	1.13	0.79	0.88
Retention and Satisfaction			
Employee retention*	88%	89%	91%
Percentage employees agreeing that Green Mountain Coffee Roasters is an "overall Great Place to Work" ^{**†}	88%	85%	82%
Percentage employees agreeing that "We have special and unique benefits here" ^{**†}	88%	87%	83%

*GMC segment only

† Source: Great Place to Work[®] Cultural Audit[®]

A Livable Wage

The Vermont Livable Wage is the wage required to meet basic needs (plus taxes) in Vermont without relying on government assistance. It is based on a Basic Needs Budget, as determined by the Legislative Joint Fiscal Office of the State of Vermont (www.leg.state.vt.us/jfo/).

In FY '05, we commissioned research comparing our minimum full-time compensation (both cash compensation and benefits) to the Vermont Livable Wage. We found that approximately 8% of our full-time employees were earning less than the Vermont Livable Wage and we adjusted our compensation levels to close that gap.

In FY '07, we commissioned new research to update the comparison between our minimum

total full-time compensation rates and the Vermont Livable Wage. We found that approximately 19% of our full-time employees are now earning less than the Vermont Livable Wage. This new gap is the result of a 20% increase in the Vermont Livable Wage threshold as compared to the FY '05 result, primarily due to changes in the methodology and assumptions of the Livable Wage calculation as well as rising costs of living, especially energy prices.

Equitable compensation is an important issue for us, from both a strategic and values perspective. We will continue to monitor and report on our compensation levels and goals and work toward ensuring that our employees are paid fairly and appropriately.

Unique Benefits

An important part of our mission is meeting the needs and aspirations of our employees, above and beyond what's required, and that means offering our Green Mountain Coffee segment employees special and unique benefits. In FY '07, and against the backdrop of skyrocketing health care costs, we were able to limit the increase to employee benefit premiums for the GMC segment, and we transitioned to self-insured medical insurance, which will help us manage our health care costs while providing high-quality services.

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 '07, 31 employees utilized our tuition assistance program for a total benefit of \$72,213 (up from 26 employees and a total benefit of \$48,506 in FY '06).

GMCR, Inc. Scholarship Program

In FY '07, we awarded twelve \$2,000 scholarships (up from ten in FY '06) for post-secondary education in college and vocational programs for the children of full-time employees who have at least one year of service with our company. Scholarship recipients are selected by a neutral third party, Scholarship Management Services.

Profit Sharing Plan

Within the GMC segment, we share profits with employees on a quarterly basis, subject to the achievement of company profitability goals. This builds a spirit of ownership within the company and increases understanding of our business model. In FY '07, we met our goals in quarter 1 only and the program shared a payout of over \$215,000.

Employee Stock Purchase Plan (ESPP)

We offer employees opportunities to purchase GMCR, Inc. stock through payroll deductions at a 15% discount from market price. At the end of FY '07, we had 562 employees (or 73% of average full-time employees) participate in the ESPP program, up from 326 employees or 46.6% of average full-time employees in FY '06.

Adoption Assistance

We reimburse eligible adoption expenses, 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.

"The adoption process is filled with unknowns and often feels completely out of your control. At a time when we were full of the emotion of finally being together, GMCR, Inc.'s generous Adoption Assistance Program helped allow us to focus on our new family, not our finances ... Not a minute goes by that we don't love and cherish this amazing little boy and our lives together. We are complete."



The Longo family

Marybeth Longo, GMC employee

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 70 different mutual fund options for employee investment.

In FY '07, 683 GMC segment employees (89% of our average full-time employees) participated in our 401(k) program, up from 562 employees (80.3% of our full-time employees) in FY '06.

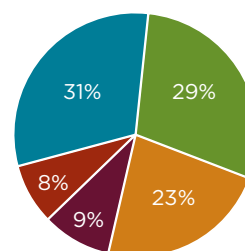
Continuous Learning

Continuous Learning enables and propels our growth and improves our bottom line, and it's key to many tenets that we hold dear: hiring from within, creating a stimulating work environment, and compensating our employees well.

In FY '07, 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 40 hours of education or training on average. Employees received 10,000 more hours of training in FY '07 as compared to FY '06.

Category	FY '06	FY '07
Total recorded hours	22,106	32,754
Count of full-time employees	668	807
Average training hours per employee	33	40

Learning Delivery Methods (FY '07)



- Functional trainers
- Continuous learning
- Contracted external faculty
- Computer-based delivery
- Outside conference/degree/other instruction

Employee Safety

Our goal is to keep our employees safe. We engage employees in all major workplace decisions related to safety. This approach means that employees are involved in the design and safety of their own workstations, designing comprehensive training programs for specific job requirements, studying safety incidents to prevent future accidents, ergonomic classes for new hires, and safety trainings. We also provide annual refreshers in driver's safety, bloodborne pathogens, and hearing loss prevention, as well as ongoing trainings in CPR and First Aid.

Our continued commitment to safety is reflected in our steady reduction in both the frequency and severity rates. The frequency of workplace injuries decreased by 16% due to our continued focus on safety education and training while the severity of workplace injuries decreased by 9%.

Workforce Safety Data

	FY '05	FY '06	FY '07
Injury severity (DART Rate)*	6.05	5.07	4.61
Workers' compensation claims	51	60	84
Injury frequency (total recordable incidence rate)*	7.41	5.64	4.73
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*GMC segment only

Definitions for these data categories are available at BrewingaBetterWorld.com

Enrollment in Self-Reflection Programs (hours)*

	FY '05	FY '06	FY '07
Yoga / stretching	168	420	859
Guided visualization	160	387	761
Mindfulness	921	1602	1126
Transformational breath	77	72	67
Other	64	0	46
Total	1,390	2,481	2,859

*GMC segment only

Health & Wellness

We host numerous wellness programs throughout our facilities, including onsite physical therapy, job-specific physical training and ergonomic assessments; a stretching program; company-paid health screenings on-site; company-paid annual flu shots; and a Wellness Reimbursement benefit for employees and their families — up to \$500 per fiscal year — to support wellness activities such as health club memberships, massage, weight loss programs, and smoking cessation.



Cultivating Self-Reflection, Relaxation and Clearer Focus Through Mindfulness

We believe self-reflection and emotional intelligence are key elements of wellness and two of the most important skills for today's rapidly changing workforce. We created a meditation room in our Waterbury facilities to encourage and help develop our employees' skills in self-reflection. The meditation room opened in November 2003, and can accommodate 15 people at one time. The meditation room supports the development of a high level of consciousness through a variety of meditative practices. In FY '07, employees and community members participated in six different programs for a total of 2,859 hours in our meditation room, up 15% from 2,481 hours in FY '06.

Learn more at >

BrewingaBetterWorld.com



Credits

Copywriting

Meghan Laslocky

Photography

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p.11 / Bottom: courtesy of *The Sustainable Food Laboratory*

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Lori Landau

Gordon Miller

Mitch Moraski

Brett Simison

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<http://www.epa.gov/cleanrgy/egrid/index.htm>

http://www.environmentaldefense.org/documents/1687_figures.pdf



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Green Mountain Coffee Roasters



Green Mountain Coffee Roasters,® Inc.

33 Coffee Lane
Waterbury, VT 05676

phone 1.888.TRY.GMCR
email csr@gmcr.com

www.greenmountaincoffee.com

