

CHARTING THE ISSUES LOCAL COMMUNITIES

OUR VISION: THRIVING LOCAL COMMUNITIES

At Farmer Brothers, we believe that being a good citizen and a helpful neighbor is an essential part of our job. That's why community involvement plays a central role in our SEED framework of social, environmental and economic development. We care deeply about the places where our customers, employees, businesses, and supplier partners work and live. After all, these are the communities that have enthusiastically supported us over the past 100 years, and we're committed to helping them, too. It's all part of our strategy to develop a stable, food-secure supply chain both domestically and globally—so all our partners and friends will feel secure, valued, and connected by a shared sense of purpose.

We believe that making an impact across our local communities starts by ensuring our domestic facilities are operating in a safe and healthful way. We also focus attention on our supplier partners in international coffee-growing communities. In diverse places both close to home and far away, we strive to understand local values, constraints, and needs—so we can find the best possible ways to make an impact.

WHY IS THE VITALITY OF LOCAL COMMUNITIES IMPORTANT TO US?

The well-being of the local communities within our supply chain has direct and indirect effects on the well-being of our business. For example, we work to address food insecurity head on in the coffee supply chain. This has direct benefits on household resilience, and has indirect benefits as the local coffee industry and the entire community is strengthened. We rely on these places for employees, public utilities, and spaces to operate. When each of these communities is thriving, it's much more likely that Farmer Brothers will thrive, too.

WHAT OUR FRIENDS SAY ABOUT IT

"As part of the food sector, the issues of hunger and malnutrition are ones that we try to address very directly in our communities. We're frequently finding ways to donate resources to support disaster-response in our communities and other initiatives."

Mike Keown, Chief Executive Officer, Farmer Brothers

"We give a substantial amount to charities because we think it is the right thing to do. Employees want to work for companies that are about more than money. We'll get back 10-fold what we give."

Brett Hollingsworth, VP Tax and Asst. Treasurer, Farmer Brothers

HOW WE MEASURE IT

Farmer Brothers works with industry partners, global NGOs, and local changemakers to make a real difference in the places our business touches—and beyond. We measure local stewardship in communities where we operate in terms of cash and in-kind donations to our preferred partners, namely the Ronald McDonald House Charities and Feeding America member food banks, with whom we collaborate to reduce food insecurity. There is also an important intersection between our in-kind donations volumes and our food waste reduction targets as recorded in the EPA Food Recovery Challenge. With better resource management practices and timely donations to local food banks, we continue to divert more food from the landfill each year.

We also measure our community impact based on how we are managing our natural resources. To do this, we look at multiple indicators, including annual air emissions, reduced carbon emissions, reduced energy usage (electricity, natural gas, and fuel), and reduced water usage.

In 2014, we purchased approximately 26% of our green coffee through a voluntary sustainability standard (VSS).¹ These standards

¹ <http://thecosa.org/wp-content/uploads/2014/09/CSR-and-the-Role-of-Voluntary-Sustainability-Standards.pdf>

measure the social and environmental practices of producers in our supply chains. Additionally, in 2014, Farmer Brothers began to source coffee with a shared value, outcome-based approach—called Direct Trade Verified Sustainable (DTVS)—which aspires to foster vibrant and viable communities that generate a long-term assured supply of high-quality coffee.

“Forced labor and the viability of smallholder farms are top issues. We need deeper engagement at the household level.”

Michael Sheridan, *Borderlands Coffee Project Director, Catholic Relief Services*

For DTVS, we employ a system based on transparent and science-based decision-making that is coupled with independent measurement and verification. This approach seeks first to understand local constraints and hot spots and second to collaboratively identify the most appropriate strategies and interventions. Working alongside producers via our dedicated agronomists and local implementation partners, we develop a mutually defined and measurable action plan for interactions and results, and to ensure accurate reporting and effective partnerships.

WHAT WE'RE DOING ABOUT IT

We've strategically chosen community partners with an emphasis on food security, environmental stewardship, and sustainable coffee production. Together, we're working to create safer, more healthful, and happier places across our entire supply chain.

World Coffee Research

At current rates of global change, by 2050 over 75% of the world's Arabica coffee growing areas will no longer be able to sustain the coffee plant.² Why? The Arabica plant simply doesn't have the genetic structure to survive in warmer or dryer climates. This will mean many billions of dollars in lost value that will devastate the global economy, coffee industry—with roughly 25 million people around the world who count on coffee for their livelihood.³ World Coffee Research (WCR) is the only global non-profit entity seeking a science-based approach to naturally build more genetic diversity

into the coffee DNA—and do so naturally by using only existing DNA from coffee plants around the world. This will save an industry—but more importantly, it will help real people—coffee farmers around the world.

Coalition for Coffee Communities

A hub for thought leadership, investment and action, the Coalition for Coffee Communities (CCC) leverages the power of collaboration to build sustainability and economic resiliency for coffee communities. The CCC is an industry-led effort to support a thriving, healthful sector by advancing a landscape approach to development, leading collective action to address gaps, building financial leverage, and shaping policy. Building on the proven model of collective impact, by connecting existing efforts and amplifying resources, the CCC generally partners with organizations that are working to advance economic development and influence policy in communities of that they believe are of critical importance to the future of coffee.

Coffee Kids

For more than two decades, we've supported Coffee Kids, an organization with a multi-dimensional approach to looking out for youth in coffee-growing communities. Coffee Kids works in various program areas, including: education, food security, economic diversification, health care and capacity building. Their ultimate goal is to act as a catalyst for change in communities that depend on coffee production as their primary source of income. They provide the resources for projects that are designed by community members and based on their needs and priorities. Thousands of children in Nicaragua, Peru and Costa Rica have been able to finish their schooling and even continue on to university or technical school thanks to Coffee Kids' sustainable educational projects.

Mercy Corps

Through our longstanding partnership with Mercy Corps, our Nicaragua Café Aldea coffee provides a giveback for every bag or pound of coffee purchased. Partnering with Mercy Corps and the Aldea Global Cooperative, we've created a microloan program tailored specifically to rural female coffee farmers in Nicaragua. With loans ranging between \$100 and \$200, women can purchase the supplies, tools, and machinery they need to manage their coffee plots. Building on our ten-year relationship with Mercy

² http://worldcoffeeresearch.org/files/annualreport_2014.pdf

³ WATSON, K. and ACHINELLI, M. L. (2008), *Context and contingency: the coffee crisis for conventional small-scale coffee farmers in Brazil*. *The Geographical Journal*, 174: 223–234. doi: 10.1111/j.1475-4959.2008.00277.

Corps, we collaborated with their team to launch the CCC project in Nicaragua, which is dedicated to ending seasonal hunger among small farming families in the coffee-growing regions. We also contribute periodically to other disaster relief funds for events such as Typhoon Haiyan.

Ronald McDonald House Charities

A Ronald McDonald House is a "home away from home" for families that want to be near a hospitalized child. The houses allow the family to stay close and focus on the health of the child instead of worrying about grocery shopping or from where their next meal will come. Across the United States, we support the administration of the houses as well as stocking the pantries and volunteering to cook meals.

Feeding America

We support local food banks and depositories that are part of the Feeding America network. This network is dedicated to joining retailers, manufacturers, and government agencies to fight to end hunger in America. We support the organization financially and with product donations. Through this organization, we were able to help get much-needed resources to victims of Hurricane Sandy, the Oklahoma City tornado, and the Colorado floods.

HOW WE'RE DOING

Year over year, our total contribution of cash and in-kind donations has gone down by 47.41%. While we don't aspire to contribute less to our communities, we do seek to optimize

our mix of contributions—both in terms of what we give and to which organizations we support. The decrease is mostly due to an enterprise-wide effort to improve resource management; therefore, we have fewer products nearing their expiration date that need either to be donated or landfilled. Simultaneously, we formed a Stewardship Committee that approves all donations over \$500. Our Stewardship Committee reigned in a long list of beneficiaries to a short list of strategic partners that align with our food security and resource conservation objectives. We did a match of all of our sites with the nearest Feeding America member food banks. Additionally, we focused a higher percentage of our overall stewardship budget on fewer organizations, including Coalition for Coffee Communities, Coffee Kids, Mercy Corps, Feeding America, Ronald McDonald House Charities, and World Coffee Research. Ultimately, we hope the outcome of this effort will be a more stable supply chain where no one goes hungry.

2015 METRICS

Operations with implemented local community engagement program

70%
↓
82/117
Locations