

# CHARTING THE ISSUES PRODUCT + SOCIAL COMPLIANCE

## OUR VISION: PRODUCTS THAT PRESERVE PEOPLE AND PLANET

*Protecting our planet doesn't just sustain our company, but helps preserve the earth for generations to come. That's why product specifications, policies, standards, and laws are in place to prevent and deter misuse of this most precious resource. We are committed to conducting our business honestly and ethically, and within the confines of the law. But we don't just behave this way because the law tells us to. We strive to go beyond our legal obligations to protect the health, safety, and fundamental rights of our employees; to deliver safe products; and to sustain the environment and communities we work within now and into the future.*

### WHY IS PRODUCT COMPLIANCE AND SOCIAL COMPLIANCE IMPORTANT TO US?

From a business and economic viewpoint, we believe that product compliance helps us to alleviate financial risks that could occur either directly through fines or indirectly through reputational damage and expenses associated with non-conforming goods. The strength of our compliance record can also affect our ability to expand operations, maintain operating permits and win new customers.

We believe social compliance entails adherence to the laws that apply to various aspects of our business, as well as sustainability and environmental principles. Fines for accounting fraud, environmental mismanagement, discrimination, or corruption would damage our reputation and compromise customers' trust in us. Conforming to environmental law helps support the policies that are designed to secure and preserve the resources needed for our products. Access to natural resources like clean water, healthy soil, and a vibrant workforce is critical for Farmer Brothers because much of our value chain is dependent on these assets.

### WHAT OUR FRIENDS SAY ABOUT IT

*"Many social issues are requirements under international standards — these are fundamental"*

Shauna Alexander Mohr, Sustainability Manager for  
The Americas, Volcafé

*"The legislative environment is changing pretty rapidly and will soon swing dramatically toward less or more regulation – most likely toward the latter. Companies need to be hyper-aware of these on-goings."*

Ric Rhinehart, Executive Director,  
Specialty Coffee Association of America

### HOW WE MEASURE IT

Monitoring and evaluating our social, environmental and product compliance occurs in a number of ways at Farmer Brothers. Not only do we have to stay abreast of changing laws and regulations, but we are also subject to external performance ratings by a number of our customers and stakeholders. As important as the expectations of external parties are to us, we hold ourselves to high standards and care about doing business that is socially responsible and environmentally conscientious. For this reason, third-party audits of our facilities are conducted regularly. We use the results to benchmark our performance and guide our efforts to constantly improve.

### WHAT WE'RE DOING ABOUT IT

As an innovator and industry leader in sustainability, we strive to go above what's legally required when it comes to our products, our people, and the planet. Our Portland plant, the first LEED® Silver certified coffee roasting facility in the Pacific Northwest, is a great example of our commitment to doing environmentally conscious business. We've continued this trend over the past year, taking significant steps, initiating several new environmental, social and product-oriented programs that help us to move beyond compliance and into the world of proactive corporate social and environmental responsibility.

In 2015, we relocated to North Texas, after more than a century in Southern California. The move provided us with an opportunity for new beginnings, as we invested in new sustainability projects, such as the construction of our new corporate headquarters. It also provided us with other opportunities to demonstrate our commitment to environmental sustainability: As we left our former home in Los Angeles, we wanted to make sure that it was in great shape, so we performed voluntary environmental remediation on the property.

For many years, we've cultivated a company culture that prioritizes environmental sustainability. With more than 1600 employees spread across more than 40 states, we are a diverse group. Coming from different backgrounds and living in different places, one of our greatest challenges is trying to undertake sustainability practices in a uniform, driven way at each of our locations. In an effort to drive this process, we are developing a formal Environmental, Health and Safety (EHS) management system, as well as a sustainability training curriculum that furnishes our employees with the knowledge they need to be stewards of Farmer Brothers' sustainability values.

Here are a few more ways that we are tracking and managing the environmental impact of our operations:

- We pursue air and water permit at all of our facilities.
- Through our equipment management services (EMS) program, we dispose of electronics waste in an environmentally responsible manner.
- We have formed a new partnership with a third-party logistics provider that will allow us to more accurately assess and report our Scope 3 emissions.

Being sustainable means more than reducing our environmental impact; it means having a positive impact on our stakeholders, those touched by our operations—our customers, employees, partners, and the communities where we work. We want our work to be a force for good, so we aim to maximize our social impact and the benefits that our products provide to our customers. The following practices help us to do that:

- We have begun to encourage our suppliers to endorse UN Compact principles.
- We are promoting diversity more aggressively among our workforce.
- Through our DTVS program we pay above market green coffee prices to our producers.
- We engage key stakeholders in determining material sustainability issues.
- With formal training sessions and classes we educate our employees on sustainability and reward them for putting these principles into practice.

Product compliance:

- We regularly audit, or allow others to audit, our production facilities.
- We employ the highest food safety standards; both of our manufacturing facilities are SQF level 3 certified.
- We are a National Safety Council Member.

### HOW WE'RE DOING

Because we approach social, environmental, and product compliance proactively, by seeking to maximize the social and economic impact of our operations and products, we stay ahead of regulations and avoid problems with noncompliance. Insofar as we have been able to ascertain, we have incurred no significant fines or non-monetary sanctions for noncompliance with any regulations.

With a close eye on compliance, in 2015 we did not incur any fines or sanctions related to noncompliance concerns.