



ROYAL CUP
COFFEE AND TEA

—
2016 SUSTAINABILITY
REPORT

Royal Cup Coffee's Core Values

As a company committed to environmental awareness and socially responsible practices, Royal Cup takes pride in constantly researching and developing products and solutions. Our goal is to help customers achieve their objectives, while providing solutions that are environmentally and socially responsible.

Quality

We sell quality products and services and are proud of our work.

Customer Driven

We are a 100% customer-driven company and strive to create customer advocates.

Integrity

We maintain high integrity in all interactions and treat everyone like we would like to be treated.

Social Responsibility

We are good corporate citizens with a developed sense of social responsibility and we give back to communities our time, talent, & resources.

Work for Fun & Profit

We are a profitable, growing company with a fun-loving spirit, and a great place to work.



*At Royal Cup, we measure
sustainability success using
the Triple Bottom Line.*



This framework captures an expanded spectrum of values and criteria for measuring organizational success by Social Responsibility, Economic Stability and Environmental Stewardship.

Social Responsibility

*At Royal Cup, **Corporate Social Responsibility (CSR)** is central to our core values. We conduct business in an ethical and responsible way. We are investing in a number of initiatives to maintain our strong CSR position for the future.*

Economic Stability

*Royal Cup recognizes the **necessity of a healthy economic state** in order to positively influence the well being of our employees, partners, and customers. We recognize and promote strategies that spur creativity, innovation, and entrepreneurship throughout the organization, which facilitates the creation of shared knowledge that impacts business and industry.*

Environmental Stewardship

*Royal Cup realizes the **importance of being a good corporate citizen**. We strive to make choices that positively impact our workplace and community. We believe in operational excellence. Royal Cup is committed to working towards operating in the most efficient, sustainable manner.*

2015 Highlights

- 1 **Completed the CDP (Carbon Disclosure Project) for the 2nd year and increased our score to an 88 out of 100. By comparison, the average score for the 3,500 companies who responded was a 53.**



CDP (CARBON DISCLOSURE PROJECT) holds the largest and most comprehensive collection globally of primary corporate climate change, water and forest-risk information. CDP works to drive action by companies and cities to reduce greenhouse gas emissions, safeguard water resources and prevent the destruction of forests. www.cdp.net



- 2 **Installed LED lighting and Light Motion Sensors at Royal Cup headquarters which resulted in savings of 104,000 kWh and 225,000 pounds of avoided CO2.**
- 3 **Began a National Waste and Recycling program to help achieve Royal Cup's Goal of 95% landfill free saving 1.75M pounds of CO2.**
- 4 **Installed software for route data collection and smart route implementation resulting in a reduction of over 25K gallons of motor fuel and 521K pounds of CO2.**

All of these efforts have resulted in over \$180K savings and 2.5M pounds of avoided CO2.

2015 Results Against Stated Goals



Social

<i>Our Goals</i>	<i>Current Status</i>	<i>Progress</i>	<i>2015 Goal Complete</i>
Continue giving a minimum of 5% pre-tax profits to charity.	Complete	Donations exceeded 5%	100%
90% of headquarter employees donate to United Way.	Not Complete	78% of headquarters	87%
Establish corporate volunteer program framework.	Complete	Will update annually Stop Hunger Now 2015	100%
Develop digital resources that help demonstrate Royal Cup community involvement around the country.	Complete	New Sustainability section added to web page	100%
Increase partnerships with MWBE (Minority and Women Business) Certified organizations by 10%	Complete	Will continue to update annually	100%

Economic

<i>Our Goals</i>	<i>Current Status</i>	<i>Progress</i>	<i>2015 Goal Complete</i>
Clearly define Royal Cup's philosophy regarding responsible green coffee sourcing.	Complete	Documentation available online	100%
Trace coffees from various origins and tell the complete story from seed to cup. Identify all players in the sourcing process and define the value that each touch point brings.	Complete	Documentation available online	100%
Quantify the impact of Fair Trade purchases at specific origins - Mexico, Honduras, Ethiopia, and Brazil.	Complete	Documentation available online	100%
Provide an annual update on the sustainable initiatives at Royal Cup's largest Rainforest Alliance Certified coffee farms.	Complete	Documentation available online	100%
Continued investment in the World Coffee Research organization's pivotal work on genetics, disease treatment and prevention, variety trials, and other efforts.	Complete	Will continue involvement	100%
Conduct the Great Place to Work Workplace Culture Assessment which identifies gaps between the culture we intend to create and one that employee's experience.	Complete	Assessment complete	100%
Royal Cup Q-Graded cupper to participate in Sensory Lexicon Panel designed to develop industry adopted terminology around coffee tasting. Contributions earmarked for roya (Coffee Rust) relief.	Complete	Certification complete	100%
Conduct the Great Place to Work Trust Index Employee Survey with a goal of 70 % participation.	Complete	Completed in 2015	100%
Better understand and identify high impact focus areas for improvement, while referencing best practices employed by Best Companies.	Complete	Will continue to update annually	100%
Work with students and faculty at Emory's Goizueta Business School to develop a Cause Coffee product and launch strategy. If successful, proceeds from sales of this coffee will go directly to the designated charity.	Not Complete	Began development of Never Thirst Roar Program	50%

Neverthirst

In 2015, Royal Cup Coffee & Tea announced plans to partner its Roar product line with Neverthirst in order to raise awareness and funds for a great project which brings sustainable water to areas in dire need.



Clean water is an essential building block towards a region being able to give children the opportunity to grow up healthier, go to school to gain an education in order to lead a normal life – something every parent wants for their child. Today, almost a billion people on the planet live without access to safe drinking water. This partnership with Neverthirst will allow Royal Cup Coffee & Tea to help engage some of these communities in the assessment and provision of clean water. The Roar brand has its roots buried deep in sustainability containing many Fair Trade, Organic and Rainforest Alliance coffees making it the perfect partner for this great cause.

In 2016, Royal Cup Coffee & Tea looks forward to launching this partnership into action and making a difference one drop at a time!



Environmental

<i>Our Goals</i>	<i>Current Status</i>	<i>Progress</i>	<i>2015 Goal Complete</i>
Implement a waste removal program for all Royal Cup facilities nationwide with the goal of diverting 95% of the waste away from a landfill by 2018.	Not Complete	In progress	In Progress
Strengthen electronic commerce capabilities to reduce paper usage.	Complete	Implemented digital processes in statements, checks, and mailers	100%
Work towards eliminating the use of Styrofoam in the corporate office.	Complete	Styrofoam cup usage eliminated	100%
Install light timers throughout the Birmingham campus public facilities (breakrooms, restrooms, etc.).	Complete	Completed in 2015	100%
Reduce electricity consumption in our manufacturing facility and corporate offices by using high efficiency LED lighting to achieve kWh usage savings of approximately 750,000 kilowatt hours annually by 2017.	Not Complete	Current improvements are saving 104 kilowatts	In Progress
Continue to work towards CDP goals.	Complete	Will continue to update annually	100%
Complete CDP's Carbon Disclosure annually and continue to improve our score.	Complete	Raised our score from 85 to 88	100%
Expand the usage of a fleet management software to increase the efficiency of the route system.	Not Complete	Currently available & installed in all vehicles	In Progress
Continue to replace passenger minivans with smaller vehicles resulting in 33% fuel savings annually.	Not Complete	Will continue to update annually	In Progress



FARM TO ROYAL C



COFFEE FARMS

ROYAL



CUP TO CUSTOMER



STOP THE HUNGER!!!



Last year, **Royal Cup** teamed up with **Stop Hunger Now** to package and deliver meals to children in need!

If you have been around Royal Cup for any amount of time you've heard the phrase "The Sum of US." The phrase comes from our CEO, Bill Smith, and encompasses his vision for Royal Cup. The full phrase reads,

"It is not the some of us; but the sum of us who make the difference."

This slogan comes to life when viewed through the lens of our Company Meeting last year. One night, when a large portion of our company met together to discuss the upcoming year, goals and strategy, we worked together off site to package and prepare over 120,000 meals to help feed children in need living in Belize. These meals were then boxed, delivered through customs and given to a village in Belize. We recently received our year end update from Stop Hunger Now and we wanted to share some of the results from it with our readers. We hope you enjoy!

From Royal Cup's Stop Hunger Now year end report for 2016- Meals packaged in 2015 by Royal Cup Coffee volunteers supported beneficiaries and our (Stop Hunger Now's) partner programs in Belize, helping to alleviate hunger and support those in need. Outlined below is the story of our partner in Belize and how Royal Cup Coffee donated meals were used.

Belize: **Partner: Kidz Konnect 4 Jesus**

Kidz Konnect 4 Jesus (KK4J) is all about creating well-rounded individuals and growing meaningful relationships between U.S./Canadian churches and Belizean villages (schools and churches) in a true, long-term partnership setting. The organization accomplishes this through educating, equipping and empowering the local Belizean population. KK4J has established feeding and food distribution programs with the goal of moving the programs toward community gardens and agriculture initiatives. For the past four years, this partner has organized quarterly medical team visits with free medicine and vitamins in a stationary clinic and with mobile medical equipment.

The meals from Royal Cup's event were shipped on October 12th 2015. The meals were transported to local schools, villages and churches. The meals are served at schools and in some cases sent home with children that are undernourished. The local principal, teachers and pastors (along with KK4J) are actively involved in the selection process. The meals are served with rice, beans and spices.

Since receiving the meals, the KK4J medical team that comes every 90 days has seen dramatic improvement. The kids are healthier, stronger, more energetic and their behavior in class has improved.

It is so fantastic to see direct impact from our efforts and experience how the sum of all of us can make such a huge difference around the world.



Social

Economic

Environmental

Environmental

2016 Sustainable Goals

Social



1 Continue giving a minimum of 5% pre-tax profits to charity.

2 90 % of headquarter employees donate to United Way.

3 Increase partnerships with MWBE (Minority and Women Businesses) Certified organizations by 10 %.

4 Expand and brand the corporate volunteer program. Incorporate all employee/corporate volunteer and participation efforts under a single umbrella to be highlighted and communicated.

2016 Sustainable Goals

Economic

- 1 Identify a support program at origin with one of our supplier partners and commit to developing a multi-year agreement to fund the program, possibly in conjunction with one of our customers in the foodservice, hospitality, or office arena.
- 2 Cause Coffee: Partner with Neverthirst (<http://www.neverthirstwater.org>) to launch a cause coffee under the ROAR product line. A percentage of all ROAR sales will benefit Neverthirst and help provide clean drinking water to those in need.
- 3 Quantify the impact of Fair Trade purchases at specific origins – Mexico, Ethiopia, Honduras, and Brazil.
- 4 Provide an annual update on the sustainable initiatives at Royal Cup's largest Rainforest Alliance Certified™ coffee farm partners.
- 5 Hold an active seat on the board of World Coffee Research and offer continued financial contributions. World Coffee Research aims to protect and grow the supply of high quality coffees and improve farmers' lives through pivotal work on genetics, disease treatment and prevention, variety trials, and other efforts.
- 6 Create an "Idea Forum" for the employees to communicate ideas concerning: cost savings, customer improvements, employee engagement, benefit enhancement, etc.
- 7 Utilize Yammer to create an interactive social presence to improve communications, engage employees and share positive customer information.
- 8 Ingrain the "Building a Better Company for our Employees and our Customers" vision statement into company thoughts, actions and deeds.
- 9 Establish an Ad Hoc group assigned to evaluate findings from the Great Place to Work Culture Assessment to provide participant feedback, action plans and improvements.



2016 Sustainable Goals

Environmental



- 1 Implement a waste removal program for all Royal Cup facilities nationwide with the goal of diverting 95% of the waste away from a landfill by 2018.
- 2 Strengthen electronic commerce capabilities to reduce paper usage.
- 3 Begin to measure emissions in our production facility to establish a baseline which will be used to target areas with improvement opportunities.
- 4 Reduce electricity consumption in our manufacturing facility and corporate offices by using high efficiency LED lighting to achieve kWh usage savings of approximately 750,000 kilowatt hours annually by 2017.
- 5 Continue to work towards CDP Goals.
- 6 Complete CDP's Carbon Disclosure annually.
- 7 Begin to measure scope 3 emissions.
- 8 Investigate water conservation programs in 2016.
- 9 Expand the usage of a fleet management software to increase the efficiency of the route system.
- 10 Increase output of Rainforest Alliance, Fair Trade USA and USDA Organic coffees.

Commitment to Sustainability

Although at Royal Cup, sustainability has become a “way of life” for all employees, we are honored to have several Officers participating in Sustainability efforts outside our own organization.



Ben Pitts

Vice President

Specialty Coffee Association (SCAA)

Current Royal Cup President, Food Service & Hospitality Division

“Coffee is uniquely positioned to drive globally sustainable concepts that produce positive outcomes across multiple industries and points on the supply chain. The SCAA has numerous entry portals for concerned and responsible coffee professionals to pledge their commitment to a more sustainable industry and world.”



Howard Chapman

Chair of National Automatic Merchandising Association (NAMA)

Current Royal Cup President, Office Coffee Division

“NAMA has long been committed on sustainability initiatives before it was cool to do. As a leading organization in coffee and vending, NAMA works at the highest levels to help influence and create legislation which enables our Industry to lead initiatives in sustainability efforts.”



Marc Schonland

World Coffee Research (WCR) Board of Directors

Current Royal Cup Vice President, Coffee Strategy and Innovation

In his role at Royal Cup, Marc is responsible for sourcing and identifying new coffee origins, developing new blends, overseeing Royal Cup’s risk management programs, supporting its sustainability initiatives and achieving greater market insight. His involvement with World Coffee Research serves to aid in research and development to strengthen the livelihood of coffee farmers.

2016

Sustainability Acknowledgements



Commercial Conservation Award- Alabama Environmental Council – 2016

Royal Cup Coffee and Tea was presented a conservation award by the AEC for their efforts in sustainability. The award was given based on the company's goal to be 99% landfill free. Serving the finest coffee and tea since 1896, Royal Cup is committed to sustainability both in work practices and around their corporate offices. The AEC focuses on publicizing efforts that generate sustainable living practices by reducing the impact of climate change; expanding work in recycling; and growing education and environmental literacy efforts across Alabama.

Outstanding Business- Champions of Sustainability – 2016

My Green Birmingham held its 3rd Annual Champions of Sustainability on Tuesday, April 12th. More than 150 guests gathered to honor a unique range of Champions of Sustainability recipients. Each year, the event honors select individuals and sustainability successes helping to shape growth and progress throughout the Birmingham area. The event, which featured a networking opportunity and honoree presentation, benefited the Green Resource Center for Alabama, an environmental nonprofit dedicated to raising awareness for sustainability-related efforts and initiatives in Alabama and throughout the Southeast. Royal Cup Coffee and Tea received the "Outstanding Business" award for its efforts to reduce waste and cut air emissions.



“It is more than just initiatives and policies, it is changing the way we think about business. We want to impact our world for the better.”

Brittany Johnson, 2016 Sustainability Chair

