



ROYAL CUP
COFFEE AND TEA

2017 SUSTAINABILITY
REPORT

Royal Cup Coffee & Tea's Core Values

Royal Cup Coffee and Tea is the proven leader in sourcing, roasting, blending and providing high quality coffees and fine teas since 1896 and is the chosen partner for restaurants, hotels, offices and commuters across the country.

We are a family-owned business rooted in a longstanding tradition of coffee roasting excellence who takes pride in our unparalleled dedication to customer care.

Quality

We sell high 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 how 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 and resources.

Work for Fun & Profit

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

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*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 through Social Responsibility, Economic Stability and Environmental Stewardship.

ENVIRONMENTAL



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.

2016 Sustainability Acknowledgements



Royal Cup Coffee and Tea Wins two awards in 2016 for the company's commitment to sustainability:

Royal Cup won the “**Commercial Conservation**” Award from the Alabama Environmental Council for the company's goal to be 95% landfill free by 2020 and the “**Outstanding Business**” award from My Green Birmingham for its efforts to reduce waste and cut air emissions.

In 2015, Royal Cup made changes resulting in saving over \$180,000 and diverting 2.5 million pounds of avoidable CO2 emissions. According to the United States Environmental Protection Agency, the CO2 emissions diverted are the equivalent to 120 homes energy use over the span of an entire year.

Citing the 2016 Green Progress Report,
The Green Resource Center for Alabama.



“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

2016 Highlights



- 1 Successfully continued to implement a National Waste and Recycling program to help achieve Royal Cup's Goal of 95% landfill free by 2020.

Recycling Impact

| | |
|--|---------|
| Total Tons Recycled | 855.56 |
| kW-hrs of Electricity saved (Millions) | 3.81 |
| Household's Annual Energy Consumption | 121 |
| Gallons of Oil Saved | 104,639 |
| MBTU Net Energy Reduction (Million British Thermal Unit) | 13,005 |
| Total Greenhouse Gas Reduction in Metric Tons | 2,721 |
| Gallons of Water Saved (Millions) | 5.99 |
| Landfill Airspace saved (cu yd) | 2,994 |
| Number of Mature Trees Saved | 10,266 |

2016 Highlights continued...

roar

neverthirst
COFFEE GROUP

2 Full scale launch of our Roar product line in both single serve pod and whole bean coffees with a portion of revenue being donated directly to Neverthirst.

3 Achieved a 10% reduction in electricity consumption (equal to a reduction of 716,000 Kwh) as a result of completing implementation of power save software, LED lighting, and energy management initiatives.



4 Achieved a 12% reduction in gas consumption (equal to a reduction of 2,300 MMBTU) as we finalize plant construction and installation of new roasting equipment and scrubbers.

5 Achieved a 32% reduction in CO2 per FTE from base year 2013 as a result of a \$1.9M project to replace old fleet vehicles with new Subaru fleet vehicles and implementation of GPS route management software and safe driving policies.

Neverthirst

In 2016, Royal Cup Coffee and Tea implemented a plan to partner its Roar product line with Neverthirst, an Alabama based non-profit organization, in order to raise awareness and provide funding to bring sustainable water to areas in dire need. For every serving of our ROAR coffee sold, 2 cents is donated to Neverthirst. Royal Cup is proud that our contribution over the first year will exceed \$100K.

r o a r


neverthirst
LIFE FLOWS



For more information on how you can get involved, visit us at
<http://www.royalcupcoffee.com/roar4change>.

Rainforest Alliance



As one of the first coffee companies to partner with the Rainforest Alliance, Royal Cup has always been committed to sourcing coffees which make a difference in the regions from which we buy coffee and tea.

In addition to importing more than 5.4 million pounds of Rainforest Alliance Certified™ coffees, Royal Cup also introduced its first Rainforest Alliance Certified™ tea in 2016. Known as Canopy Mist, this new addition to the Royal Cup line is not only a fabulous tasting tea, but it is also making a difference in the world.

In order to become certified, farms must meet criteria set by the Sustainable Agriculture Network (SAN), a coalition of leading conservation groups that work to promote sustainable agriculture. The SAN standard encompasses all three pillars of sustainability—social, economic, and environmental. Rainforest Alliance Certified™ farms are audited regularly to verify that farmers are in compliance with the SAN standard’s comprehensive guidelines, which require continual improvement on the journey to sustainable farming.

The SAN standard is built on these important principles of sustainable farming:

- Biodiversity conservation
- Improved livelihoods and human well-being
- Natural resource conservation
- Effective planning and farm management systems



Fair Trade USA



Royal Cup has also been heavily involved with the importation of Fair Trade Certified coffees. In fact, we have sourced more than 2,000,000 pounds of coffee resulting in more than \$400,000 in community development premiums being earned by producer groups. These premiums help develop better farms but also help develop better communities. Last year, Fair Trade premiums raised in Honduras were used to focus on helping women on these farms gain high school level educations.

All Fair Trade Certified™ products are made with respect to people and planet. Rigorous social, environmental and economic standards work to promote safe, healthy working conditions, protect the environment, enable transparency, and empower communities to build strong, thriving businesses.



Building a Greener Campus

When the first Sustainability Committee met back in 2013, it was determined that, change needed to begin at our Birmingham campus. Royal Cup began to plan out a sustainable strategy and developed a road map to becoming a greener campus.

This plan consisted of:

- LED lighting across the campus along with light motion sensors.
- A National Waste and Recycling program was implemented.
- Software to manage route data was installed.
- Implementing a plan for replacement of fleet to energy efficient vehicles.
- The development and monitoring of CO₂ emissions to limit our output.
- The development and monitoring of energy (electric and gas) to reduce our usage and impact.

This plan involved a commitment from Leadership that it would be properly funded and that Royal Cup would monitor its progress every year to ensure goals were being met and new goals were being established.

As we continue to embark on a \$48M campus expansion plan, these standards will be a continued focus of our project managers to ensure we are building a campus conscious of the world around us.



2017 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 as we continue to expand our Supplier Diversification Plan.
- 4 Sponsorship and participation in the Solar Decathlon held in Denver, CO.
- 5 Continue to play an active role in the communities we serve across the U.S.

2017 Sustainable Goals

Economic

- 1 Continue to increase our donation level to Neverthirst through our ROAR partnership. Our goal is to double our contribution in 2017 to \$200K.
- 2 Quantify the impact of Fair Trade purchases in Royal Cup supplying regions. Commit to development of a Fair Trade certified tea.
- 3 Provide an annual update on the sustainable initiatives of Royal Cup's Rainforest Alliance Certified coffee and tea farm producers.
- 4 Hold an active seat on the board of World Coffee Research and offer continued financial contributions.
- 5 Establish a dedicated group assigned to monitoring and implementing ideas generated from employees across the company pertaining to cost savings, customer improvements, employee engagement, benefit enhancement, etc.



2017 Sustainable Goals

Environmental



- 1 Continue to 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 2020.
- 2 Continue to monitor our energy consumption in our facilities to ensure we are measuring favorably year over year.
- 3 Measure emissions in our production facility against our established base-lines ensuring we are able to target areas with improvement opportunities.
- 4 Expand our EDI transmissions to limit and seek to eliminate all paper transactions to our customers.
- 5 Continue to investigate and implement water conservation programs in 2017.

Solar Decathlon

Royal Cup is excited to have been asked by students from the University of Alabama-Birmingham, one of 16 universities from around the world chosen to participate, to become a partner/sponsor of Team Alabama in the Solar Decathlon 2017 being held in Denver, CO. The U.S. Department of Energy's Solar Decathlon is a collegiate competition made up of 10 contests that challenge student teams to design and build full-size, solar-powered houses. The winner of the competition is the team that best blends design excellence and smart energy production with innovation, market potential, and energy and water efficiency.

Team Alabama's house is a classic southern style, featuring large overhangs and a welcoming front porch. The design is also inspired to respond to devastating tornados and includes a "strong room" that extends below the level of the house's subfloor to allow permanent footings. If the house around the strong room is impacted by a tornado, the room and everyone in it will survive. Inspired by the devastating impact that the 2011 tornado super outbreak had on our communities in Alabama, surviv(AL) as the project is known, strives to serve as a model for sustainable, resilient housing for tornado prone communities.



