

2018 SUSTAINABILITY REPORT

Our Comprehensive GRI Data

Farmer Brothers[®]

Economic

Economic Performance

Direct economic value generated and distributed

Direct economic value generated (USD)	\$608,445,244
Net sales	\$606,544,202
Sales of assets	\$1,901,042
Economic value distributed	\$544,472,586
Operating costs	\$379,673,710
Employee wages & benefits	\$152,067,998
Payments to providers of capital	\$3,176,563
Payments to governments by country (includes all taxes and penalties)	\$9,393,401
Community investments	\$160,914
Economic value retained*	\$90,776,235

Financial implications and other risks and opportunities due to climate change

Farmer Brothers prioritizes risks identified from climate change by assessing what factors will have the largest impact on our company in the short, medium and long term.

At any given time, Farmer Brothers' sustainability department will be evaluating 5-10 climate related risks or opportunities, each of which is first quantified by its environmental (e.g. carbon reduction) and financial impact on our operations. The sustainability team engages cross departmentally with our operations, legal, and sales organizations to prioritize environmental and climate related risks to our company. These risks and opportunities are then pursued by the sustainability team. Physical risks and opportunities are considered for their immediate impact. Transitional risks and opportunities are considered for their long-term benefit.

For example, this year, we evaluated approximately twenty locations as candidates for lighting upgrades. We performed ROI analysis on each of the projects, taking into consideration cost savings from reduced energy use, as well as the social impact (e.g. if it would improve safety, employee productivity, etc.), paring down the list of 20 to a list of ten to be completed. These retrofits will lower our electricity use in addition to reducing our electricity spend.

Decisions on longer-term projects, such as reforestation projects at origin, or branch relocations, incorporate more data analysis of historical trends (climate projections, water risk, legal risk, impact on operations, etc.) in determining estimated financial, social and economic returns. Analysis of this information is discussed and decided on cross-functionally. Conclusions, case studies, and proposals are then shared Farmer Brothers' Executive Team and, in certain cases, with our Board of Directors for approval.

For more detailed information on our climate-related risks and opportunities, please view our 2018 CDP submission.

* Farmer Brothers is a national coffee roaster, wholesaler, and distributor of coffee, tea, and culinary products with a national footprint of 114 branches across the contiguous United States. For this reason, we measure economic value generated and distributed (EVG&D) at a national/country, rather than regional, level.

Defined benefit plan obligations and other retirement plans

Estimated value of plan's liabilities	\$144,900,000
Value of separate fund to pay plan's liabilities	The fair value of plan assets as of June 30, 2018, was \$104,600,000, based on U.S. GAAP.
Strategy and timescale	We fund the plans based on US funding requirements. Investments are based on a glide path that adjusts asset allocation according to the funded status of the plan.
Percentage of salary contributed by employer	Employer contribution for the reporting period was \$3,800,000
Level of employee participation	80% of employees participated in retirement and/or defined contribution plans

Financial assistance received from government

Farmer Brothers received no financial assistance from any government during the reporting period. To our knowledge, no government is a shareholder of Farmer Bros. Co. stocks. Because, however, we are a publicly traded company, it is possible that a government could be a beneficiary owner of Farmer Brothers street name securities, and that we would not have awareness of this.

Procurement Practices

Proportion of spending on local suppliers

20% of our suppliers were categorized as local suppliers, whom we define as suppliers operating within the same region as our manufacturing facilities and distribution centers. In the case of Farmer Brothers, this includes the Pacific Northwest, Greater New York City, Greater Chicago, and the State of Texas.

Environment

Materials

Materials used by weight and volume

Material	Weight (kg)
Coffee	49,211,537
Tea	740,206
Juice	2,900,607
Culinary	4,013,173
Hot cocoa	2,344,057
Non-food	917,172
Spice	1,943,296

Material	Weight (kg)
Cappuccino	3,111,192
Creamer	1,613,958
Pancake/biscuit/waffle mix	2,106,079
Soup base	1,324,598
Sugar/sugar substitutes	530,189
Syrups (Coffee)	121,811
Aluminum Foil	547
Corrugated carboard	773,961
LDPE	2,634
Paper	2,692,835
HDPE	92,664
PET	832,251
PP	6,894
Steel	13,875

Recycled input materials used

Farmer Brothers has not, historically, tracked the recycled content of input materials. However, we are currently working on a sustainable purchasing plan with established minimum requirements for recycled content.

Reclaimed products and their packaging materials

We encourage our up and downstream partners to operate sustainably, and we are currently working on several potential programs guided by circular thinking. During the reporting period, Farmer Brothers reclaimed and refurbished approximately 6,150 pieces of commercial beverage equipment, totaling more than 135 tons in weight.

Energy

Energy consumption within the organization

Category	Consumption
Total fuel consumption from non-renewable sources (TJ)	443.5
On-road gas (kWh)	44,054,186
On-road diesel (kWh)	32,097,769
On-site fuel (kWh)	47,033,985
On-site propane (kWh)	408,260
Natural gas (kWh)	46,625,725
Total fuel consumption from renewable sources (TJ)	77
Biodiesel (kWh)	4,573
Electricity totals (kWh)	21,468,456
Energy sold	Farmer Brothers did not sell energy during the reporting period
Total energy consumption within the organization (TJ)	521

Standards and methodologies

All fuel volumes were taken from direct measurements (fuel purchase data), with the exception of propane; propane volume was based on an average price of \$1.75. We purchase Renewable Energy Certificates for all electricity consumed at manufacturing facilities.

Energy consumption outside of the organization

Category	Energy (TJ)
Purchased goods and services	3,179.46
Upstream transportation	585.56
Waste generated in operations	0.95
Business travel	6.34
Employee commuting	97.44
Downstream transportation	1,181.07
Use of sold products	679.34
End-of-life treatment of sold products	15.04
Total	5,745.19

Energy intensity

Farmer Brothers uses several different energy intensity metrics to evaluate energy efficiency performance in manufacturing, sales, and last-mile distribution. Each metric shares the same denominator, roasted kilogram (kg) of coffee, as we feel it is the best indicator of overall economic productivity.

Category	Intensity
On-site fuel (kWh)/roasted kg	1.207
Electricity (kWh)/roasted kg	0.601
On-road fuel (liters)/roasted kg	0.056

Reduction of energy consumption

Farmer Brothers absolute energy consumption increased by 4.3% during the reporting period, compared to the previous year. However, this was largely the result of increased production volumes due to acquisitions. This is evidenced by the fact that during the same period, we saw reduced intensity of electricity, water, and on-road fuel consumption.

Reduction in energy requirements of products and services

See Farmer Brothers 2018 CDP Climate Response.

Water

Water withdrawal by source

Farmer Brothers withdraws, consumes, and discharges water only in its direct operations. The organization's water withdraw and discharge have no significant impacts on water bodies.

Water is integral in both the cultivation and brewing of coffee, both of which occur outside of our direct operations. We work with stakeholders, such as those involved in Project DIRECT, to identify and mitigate water-related impacts. Current water-related projects include work on innovations in coffee processing at wet mills to reduce water use, coffee pulp composting to reduce fresh water contamination, and strategic landscaping to address runoff.

Management of water discharge related impacts

Farmer Brothers does not operate facilities in locations with no local discharge requirements. All water discharge is in compliance with municipal requirements. We do not have any internally developed water quality standards or guidelines, and no sector specific standards were considered.

Water withdrawal

During the reporting period, Farmer Brothers withdrew 65.84 megaliters, exclusively from third-party water sources for our direct operations. Of those, 11.69 megaliters were withdrawn at Farmer Brothers sites located in areas of high water stress, according to WRI's Aqueduct Water Risk Atlas.

Water discharge

Discharge metering requirements vary based on location and size of operations. Given our smaller operational scale, we currently have direct measurements for only our Houston manufacturing facility, where discharge amounted to 10.77 ML. Assuming a similar ratio of discharge to withdrawal at our Portland, OR and Northlake, TX, facilities, approximately 1.39 ML and 7.29 ML of discharge were generated at those locations, respectively. Assuming the same ratio of discharge across all locations, Farmer Brothers discharged 36.81 ML during the reporting period. 10.77 ML of this was discharged as industrial wastewater, and remaining as municipal wastewater. 6.44 ML of this water was discharged in areas of high water stress.

Water consumption

Farmer Brothers consumed 29.03 ML of water during the reporting period, 5.25 ML in areas of high water stress.

Biodiversity

Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas

Farmer Brothers' 10,000 sq ft. Denver, Colorado distribution facility is located adjacent to the Rocky Mountain Arsenal, a terrestrial National Wildlife Refuge (IUCN Category IV).

Significant impacts of activities, products, and services on biodiversity

Farmer Brothers' business practices are guided by a commitment to protecting and increasing biodiversity. All of our facilities operate in accordance with established air quality, water quality, solid waste and hazardous materials regulations. During the construction of our new HQ, which is LEED Silver Certified, we restored compacted soils, created green spaces, and incorporated native plant landscaping to provide habitat and promote biodiversity. During the reporting period, our direct operations had no significant negative impacts on biodiversity.

We aspire to a fully traceable supply chain, and we are pursuing projects and partnerships to increase the traceability of the coffee we sell, down to the farm level, when that is possible. Though not considered our operations, we are attentive to the environmental sustainability of our supply chain and working continually to improve it.

Our Project D.I.R.E.C.T.[™] sourcing model follows a traceability model, and we have established non-acceptable practices in our program, including deforestation of primary forest or the destruction of other forms of natural resources. The municipalities in Colombia and Nicaragua from which we source coffee are located near protected areas. However, besides the commitment to prevent deforestation, there are not agreements or partnerships with third parties to protect or restore forest areas.

97.9% of the surveyed farms (481) in our Colombian program have not have any negative impact on the forest or natural resources; in fact the percent of farms participating in the program that have a forest area increased from 33.8% to 50%. Only 2.1% of the farms recognized some type of deforestation, mainly to increase coffee area.

Below is a list of protected areas, as well as IUCN and conservation species in regions where Farmer Brothers growing partners operate.

IUCN Red List species and national conservation list species with habitats in areas affected by operations

Countries FY17	CR (Critically Endangered)	EN (Endangered)	VU (Vulnerable)	NT (Near Threatened)	LC (Least Concern)
Brazil	72	125	272	227	4,067
Burundi	6	14	33	42	1,189
Colombia	98	180	315	242	4,716
Congo	8	18	67	41	1,985
Costa Rica	31	55	120	104	2,982
DR Congo	28	68	146	92	3,573
Ecuador	95	143	268	199	3,169
El Salvador	3	19	37	49	1,688
Ethiopia	17	37	59	42	1,354
Guatemala	38	63	94	85	2,472
United States	0	0	0	0	0
Haiti	54	47	67	51	1,262
Honduras	43	56	84	86	2,695
India	78	204	395	323	3,886
Indonesia	86	202	586	537	5,145
Jamaica	21	32	50	40	1,183
Kenya	42	56	164	178	3,030
Laos	31	53	99	93	1,492
China	80	146	285	232	3,799
Mexico	191	269	316	205	4,363
Timor-Leste	3	10	14	32	1,060
Nicaragua	9	23	71	76	2,623
Papua New Guinea	19	49	275	257	3,291
Peru	43	146	204	194	3,524
Rwanda	11	11	35	34	998
Tanzania	117	137	257	213	3,619
Uganda	48	32	77	61	1,786
Vietnam	60	131	270	255	3,023

Habitats protected or restored

Coffee type	Country	Volume bought (Lbs.green coffee)	Lbs to Kg (1 lb = 0,454 Kg)	Yield (Kg green/hectare)	Area (hectares)	Area (Km ²) 100 Ha = 1 Km ²	Principal natural areas	Habitat
DT	Colombia	6,075,163	2,758,124	1,268	2,175.2	21.8	Tatama and Las Orquideas Natural Parks	Humid tropical forest
DT	Nicaragua	1,654,729	751,247	1,182	635.6	6.4	Natural reserve Bosawas	Tropical forest
RFA	Brazil	2,247,262	1,020,257	1,440	708.5	7.1	Serra da Canastra National Park	Tropical savannah (Cerrado)
RFA	Guatemala	2,106,820	956,496	1,540	621.1	6.2	Sierra de las Minas, Biosphere reserve	Tropical forest, cloud forest
RFA	Peru	83,666	37,984	985	38.6	0.4	Santuario Nacional Tabaconas Namballe	High Andean forest
RFA	Colombia	1,401,036	636,070	1,268	501.6	5.0		Tropical forest
RFA	Costa Rica	962,140	436,812	1,642	266.0	2.7	Los Quetzales National Park	Tropical forest, cloud forest
RFA	Indonesia	141,536	64,257	600	107.1	1.1		Rainforest, tropical forest
RFA	Honduras	237,334	107,750	1,108	97.2	1.0	Pico Bonito National Park	Tropical forest, cloud forest

Emissions

Category	Emissions (kg CO ₂ -eq)
Energy direct (Scope 1) GHG emissions	28,848
Energy indirect (Scope 2) GHG emissions	1,920
Other indirect (Scope 3) GHG emissions	668,142
GHG emissions intensity	14.2 kg CO ₂ -eq/kg green coffee purchased
Reduction of GHG emissions	0 kg CO ₂ -eq**
Emissions of ozone-depleting substances (ODS)	91,816 kg CO ₂ -eq

** Increase in absolute GHG emissions due to integration of China Mist, West Coast Coffee, and Boyd's emission data in this fiscal year.

Nitrogen oxides (NO_x), sulfur oxides (SO_x), and other significant air emissions

	Carbon monoxide CO	Lead Lead	Nitrogen oxides NO _x	Ozone O ₃ (Ozone)	Particulate matter PM <2.5 um	Sulfur dioxide SO _x (or SO ₂)
Mobile	2.48E+04	1.07E-01	4.30E+03	0.00E+00	7.60E+01	9.05E+01
Stationary	1.23E+00		1.06E+01		4.30E+00	6.00E-02
Total	2.48E+04	1.07E-01	4.31E+03	0.00E+00	8.03E+01	9.06E+01

Effluents and Waste

Waste by type and disposal method

We have been dedicated in our work towards achieving zero waste across our operations; whenever and wherever recycling is available (currently approximately 95% of our locations), it is given priority as a disposal method. At our larger facilities, where organic byproducts result from our roasting operations, we incorporate organics recycling to dispose of our streams in the most responsible manner available.

Farmer Brothers avoids use of hazardous materials — we had no disposal of hazardous waste during the reporting period. For non-hazardous streams, our breakdown for the reporting period.

Reuse (tons)	138
Recycle (tons)	4400
Compost (tons)	697
Landfill (tons)	2369

Significant spills

Farmer Brothers has guidelines to minimize use of hazardous waste. During the reporting period we did not transport any hazardous waste nor did we record any significant spills.

Transport of hazardous waste

Farmer Brothers has guidelines to minimize use of hazardous waste. During the reporting period we did not transport any hazardous waste nor did we record any significant spills.

Environmental Compliance

Non-compliance with environmental laws and regulations

Farmer Brothers has not received any significant fines for environmental non-compliance during the reporting period.

Supplier Environmental Assessment

New suppliers that were screened using environmental criteria

100% of new suppliers were surveyed for environmental and social criteria.

Negative environmental impacts in the supply chain and actions taken

146 suppliers assessed for environmental impact. None were identified as having potential negative environmental impacts; none had significant or potential negative environmental impacts identified in our supply chain.

Social

Occupational Health and Safety

Occupational health & safety management system

An occupational health and safety management system with recognized risk management practices, including health and safety policies and objectives, is used at Farmer Brothers, covering Farmer Brothers employees, as well temporary employees.

Hazard identification, risk assessment, and incident investigation

Routine safety audits are performed of manufacturing and distribution facilities followed by any corrective actions plans to identify and address work hazards. A follow up is performed to the corrective action plan which is carried out by Farmer Brothers' Risk Management team. Review of the corrective action plans is used to update and continue to improve our process.

Channels of communication exist both between safety committees or directly with Risk Management department or immediate supervisors, allowing Farmer Brothers employees to report work-related hazards and hazardous situations. Review of incidents is performed and recorded, and can be classified as recorded or non-recorded. Remedial action is required to report. For each incident that occurs, a report is generated and appropriate and remedial action is taken.

Occupational health services

Whenever there is an occupational health service required, workers involved in work place incidents are attended to by healthcare professionals with recognized qualifications and accreditations. Farmer Brothers does not provide occupational health services to contract workers, but requires any on-site contractors to offer worker's-compensation coverage to those employees.

Worker participation, consultation, and communication on occupational health & safety

We require a monthly safety training for employees at our manufacturing and distribution facilities. This training allows employees an opportunity to voice their concerns, and for us to hear those concerns. After each training session, we use a learning management system to send out a follow-up quiz, to ensure training is completed. This is all required for both employees and temporary workers, but contractors do not participate in Farmer Brothers' health and safety committees.

Worker training on occupational health & safety

In addition to monthly safety trainings, Farmer Brothers' Risk Management team provides general safety trainings, as well as specific trainings on topics such as Personal Protective Equipment, fire extinguisher use, Emergency Action Plan, walking-working surfaces, forklift certification, active-shooter training, lock-out-tag-out program, etc. Training is performed in-person and online with a learning management system, is free of charge and generally mandatory.

Promotion of worker health

All eligible full-time Farmer Brothers employees have access to subsidized health insurance. Additionally, Farmer Brothers offers financial contributions Health Savings Accounts for employees participating in the company health plan.

Farmer Brothers promotes voluntary health programs and services, including dietary advice and provision of an on-site gym at our corporate headquarters.

Prevention and mitigation of occupational health & safety impacts directly linked by business relationships

Coffee from Project D.I.R.E.C.T.™ is audited for compliance under a code of conduct that includes provisions for worker safety. Farmers are audited annually for compliance. Additionally, Fair Trade™ certified coffees are audited for compliance with worker safety standards. All of our suppliers are asked to abide by our Supplier Standards of Engagement. We seek Suppliers that operate in compliance with all applicable environmental laws and work to minimize their use of natural resources and any negative impact their operations have on the environment. Procedures for waste management, handling and disposal of chemicals and other hazardous materials, emissions, and effluent treatment must meet or exceed minimum legal requirements. All employees should have access to clean drinking water while at work

Workers covered by an occupational health & safety management system

Farmer Brothers' occupational health and safety management system covers all Farmer Brothers employees, including temporary workers but does not cover contractors. Contractors being defined as workers who are not employees but whose workplace is controlled by the organization.

Farmer Brother's occupational health and safety practices are internally audited at all locations and therefore all Farmer Brothers employees. External audits have been conducted at our three manufacturing facilities, as well as our retail coffee shop in Portland, OR. In total, 448 employees, or 28% of Farmer Brothers' total workforce, work at these locations.

Work-related injuries

During the reporting period, no employee, temporary worker, or contractor fatalities were recorded; and 1 incidence of high-consequence work-related injury was recorded, impacting a Farmer Brothers employee. 49 recordable work-related injuries occurred, resulting in an OSHA incident rate of 2.97, based on 200,000 hours worked. The most common types of injuries were related to lifting; slips, trips, and falls; transportation accidents; cuts; and pushing and pulling injuries.

Work-related ill health

In the reporting year there were no fatalities as a results of work-related ill health. We had a total of 49 cases of injury, none of which were related to worker ill-health. Hearing loss has been identified as a hazard for our production employees. Ear protection is required for all employees working on the manufacturing floor. There were no reported cases of hearing loss during the reporting period. No workers have been excluded from this disclosure. All data was compiled using OSHA Trend analysis reports.

Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities

We track and analyze injuries according to operational function (manufacturing vs. sales), as well as region. We do not pair injury data to gender, however. Below is our performance data, companywide and by business sector.

Incident trend analysis	2011	2012	2013	2014	2015	2016	2017	2018
Injury data, companywide								
Recordable incidents	92	86	81	84	79	81	59	49
Incident rate	12.88	4.48	4.24	4.24	4.73	5.08	3.78	2.94
Lost time	4.62	1.67	1.94	1.77	2.16	1.57	1.47	1.26
DART rate	10.36	3.39	3.35	3.64	4.49	3.51	2.75	2.58
Severity rate	407.2	227.4	213.95	194.84	191.12	138.9	137.93	132.16
Injury data, plants								
Recordable incidents	11	6	12	15	18	17	8	6
Incident rate	6.75	1.89	3.71	3.94	6.84	5.54	2.35	1.3
Lost time	3.07	0.32	1.55	1.31	0.6	1.3	0.88	0.65
DART rate	4.91	1.58	2.79	3.41	6.84	4.56	2.06	1.3
Severity rate	130.08	88.63	154.78	116.02	153.03	218.64	75.26	12.99
Injury data, DSD								
Recordable incidents	47	56	48	48	37	50	50	41
Incident rate	19.31	5.05	4.34	4.29	3.89	5.09	5.23	4.1
Lost time	6.98	2.07	1.9	1.7	2	1.73	1.99	1.7
DART rate	14.79	3.79	3.34	3.57	3.68	3.46	3.66	3.6
Severity rate	565.29	292.48	185.26	172.33	76.53	108.99	192.76	212.97

Human Rights Assessment

Operations that have been subject to human rights reviews or impact assessments

Farmer Brothers direct operations are strictly domestic. Farmer Brothers operates in compliance with local laws and regulations. In addition, we are subject to social audits by certain customers. During the reporting period, our Houston manufacturing facility underwent a social audit. However, as we continue to expand traceability and transparency into our suppliers we have conducted human rights assessments of our Project Direct programs in Colombia, Brazil and Nicaragua with the help of the Committee on Sustainability Assessment (COSA).

Training on human rights policies or procedures

1,869 coffee growers who participate in our Project D.I.R.E.C.T.™ program received on average eight hours per year of training on topics related to human rights. These growers are located in Colombia and Nicaragua, none are employees of Farmer Brothers.

Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening

146 suppliers surveyed/75% response rate/96% commitment to uphold UN Global Compact. Currently our human rights screening is focused on supplier relationships. We intend to expand the breadth of our human rights assessments to, eventually, include a greater number of business partners.

Local Communities**Operations with local community engagement, impact assessments, and development programs**

8.12% of our coffee was sourced through our Project D.I.R.E.C.T.™ sourcing model, which includes implemented local community engagement, impact assessments, and development programs, including the use of data driven impact assessments of gender, environmental, and social improvements, as well as local community developments plans that are co-designed with our growing partners and communities.

Operations with significant actual and potential negative impacts on local communities

Our direct operations in United States do not present any significant potential negative impacts on local communities. 23.3% of our coffees are sourced from supply chains which we have assessed to have no risk of significant potential negative impacts on local communities.

Supplier Social Assessment**New suppliers that were screened using social criteria**

100% of new suppliers were surveyed for environmental and social criteria.

Negative social impacts in the supply chain and actions taken

Of the 146 suppliers surveyed, none were identified as having negative social impacts and, as such, no actions were taken on our behalf.

Customer Health and Safety**Assessment of the health and safety impacts of product and service categories**

We assess the health and safety impacts for all of our product and service categories.

Incidents of non-compliance concerning the health and safety impacts of products and services

During the reporting period, Farmer Brothers had no incidences of non-compliance concerning the health and safety impacts of products and services.

Socioeconomic Compliance**Non-compliance with laws and regulations in the social and economic area**

During the reporting period, Farmer Brothers had no incidences of non-compliance with laws and regulations in the social and economic area.