



STARBUCKS®

Dear Starbucks Suppliers,

Since Starbucks first opened its doors more than four decades ago, we have set out to be a different kind of company. One that leads through the lens of humanity, knowing that what is good for people is also good for business.

At the heart of all of this is coffee. The farmers and their families around the world that work every day to grow the highest quality coffee for the entire specialty coffee industry. That is why over a decade ago, we developed a sourcing standard in conjunction with Conservation International. One based upon International Labor Organization (ILO) Conventions, which place farmer livelihoods at the center of our efforts.

As you know, coffee is a vital source of export for many developing countries and supports over 25 million families directly around the world. Over the years we have helped create a specialty coffee market by paying the prices that premium quality coffee commands. In doing so we have developed a holistic model that centers on farmer support, economic, social and environmental standards for suppliers, industry collaboration and community development programs. Starbucks is committed to partner with our suppliers and other stakeholders to elevate the social, environmental and economic well being of farmers and farm workers everywhere.

Available to the entire market, our responsible purchasing practices are a set of economic, social and environmental standards for suppliers that ensure fair pay and working conditions, economic transparency and sound resource management. Referred to as Coffee and Farmer Equity (C.A.F.E.) Practices, these pillars form the cornerstone to an approach that is then augmented by farmer support, industry collaboration and community development programs.

When we set these expectations and developed these standards, we knew it would be a journey for the coffee industry, one that would require engagement, third party verification and consistent, candid feedback. Centuries of farming practices would require changes both big and small, but we view this as part of our responsibility - to be a catalyst for change and to help paint a picture of the possibilities the future holds.

As we go into this season's harvest, we wanted to once again share with you the standards we expect of our suppliers and to call out updates that have been made to the program based upon feedback gathered by various stakeholders. As part of our work, we constantly evaluate the effectiveness of this program and its standards to ensure that they are meaningful, relevant and impactful.

Given the significant changes last year with V3.3, we made a deliberate effort to maintain consistency in the program while integrating relevant updates and therefore, we will be rolling out Version 3.4 of the program effective December 1, 2015. C.A.F.E. Practices V3.4 documents are now available on the SCS Global Services website (www.scsglobalservices.com/starbucks-cafe-practices)

Version 3.4 updates include:

- Addition of new zero tolerance indicators related to transparency, bribery, and continuous improvement.
- Inclusion of warehouses as a separate entity (to be included during the application process and inspected during the verification).
- Refinement of indicators to ensure consistent evaluation and interpretation by suppliers and verification organizations (please reference the C.A.F.E. Practices Summary of Scorecard and Field Note Updates, Version 3.4).

We also want to highlight that the C.A.F.E. Practices web-based reporting tool used by the verification organizations (VRS-Verifier Reporting System) has been enhanced with a mobile-VRS option, enabling inspectors the option to undertake the verification process using a tablet computer in the field. We hope that this will improve the verification reporting process in terms of both quality, and time requirements.

As a reminder, as part of the C.A.F.E. Practices program, Starbucks requires applicants (suppliers) to comply with the following Zero Tolerance indicators before a Status and Validity can be granted. All suppliers must have a valid Status before shipping. The Corrective Action process can increase verification costs and cause substantial delays in shipping coffee. Starbucks therefore requires that every applicant review the below list, conduct a self-assessment and correct any non-compliant areas before scheduling a verification with an approved verification organization.

- In the event that Zero Tolerance indicators are non-compliant, the applicant (supplier) will be required to submit and implement a Zero Tolerance corrective action plan (ZT-CAR). Corrected zero tolerances must be verified by an approved verification organization prior to shipment.
- Corrective Action Plans require:
 - Submission of a corrective action plan for all non-compliant Zero Tolerance indicators.
 - Implementation and documentation of corrective actions and related timelines and any necessary training of the supply chain.
 - Re-verification by an approved third party verification organization to confirm compliance with Zero Tolerance indicators.

Please note that Starbucks reserves the right to reject or claim against shipments originating from Zero Tolerance non-compliant supply chains, so it is imperative that every applicant (supplier) pay close attention to these indicators.

C.A.F.E. Practices Zero Tolerance Indicators:

ZERO TOLERANCE (NEW): Entity provides transparency into their operations, policies, processes, and relevant records to Starbucks or its designated third party. Payroll records and time cards provided by management are true and accurate.

ZERO TOLERANCE (NEW): Money and/or gifts of any type are not offered to Starbucks or its designated third party.

ZERO TOLERANCE (NEW): Entity demonstrates a commitment to continuous improvement and engages in the improvement process.

ZERO TOLERANCE: Employer does not directly or indirectly employ any persons who are under the age of 14 or the legal working age (ILO Conventions 10 and 138).

ZERO TOLERANCE: Employment of authorized minors follows all legal requirements, including, but not limited to, work hours, wages, education, working conditions, and does not conflict with or limit their access to education (ILO Convention 10).

ZERO TOLERANCE: Children of legal school age who live onsite or accompany family members who are working onsite attend school.

ZERO TOLERANCE: Employer enforces a policy that prohibits the use of forced, bonded, indentured, convict or trafficked labor (ILO Conventions 29, 97, 105 and 143).
Written policy required for large/medium farms and mills with more than 5 employees.

ZERO TOLERANCE: Workers do not surrender their identity papers or other original personal documents or pay deposits as a condition of employment.

ZERO TOLERANCE: The workplace is free from physical, sexual, and verbal harassment and abuse.

ZERO TOLERANCE: Employer enforces a policy of prohibiting discrimination on the basis of gender, race, ethnicity, age or religion (ILO Convention 111).
Written policy required for large/medium farms and mills with more than 5 employees.

ZERO TOLERANCE: All permanent workers are paid the nationally or regionally established minimum wage. If minimum wages for permanent workers have not been established, all permanent workers are paid the local industry standard wage. If workers are paid by production, wages meet the nationally or regionally established minimum wage, or, where minimum wage has not been established, the local industry standard wage.

ZERO TOLERANCE: All temporary and seasonal workers are paid the nationally or regionally established minimum wage. If minimum wages for temporary/seasonal workers have not been established, all temporary/seasonal workers are paid the local industry standard wage. If

workers are paid by production, wages meet the nationally or regionally established minimum wage, or, where minimum wage has not been established, the local industry standard wage.

ZERO TOLERANCE: Wages are paid regularly to all workers in cash, cash equivalent (check, direct deposit), or through in-kind payments (e.g., food), if legally permissible.

ZERO TOLERANCE: Labor intermediaries are only used where legally permissible. Legal status of the intermediary can be demonstrated at the time of inspection. All necessary documentation from the labor intermediary is made available at the time of the inspection to support evaluation of the relevant Social Responsibility indicators.

ZERO TOLERANCE: No conversion of natural forest to agricultural production since 2004.

ZERO TOLERANCE: Farm does not use pesticides that are listed by the World Health Organization as Type 1A or 1B, or that are banned according to national, regional, or local laws.

ZERO TOLERANCE: Mill has a system and is tracking C.A.F.E. Practices coffee from initial purchase through point of export.

ZERO TOLERANCE: Mill has a system and is tracking C.A.F.E. Practices coffee from initial purchase or intake through final sale or output.

ZERO TOLERANCE: All supply chain entities have and implement a system to track the movement of C.A.F.E. Practices coffee from initial purchase through point of export.

ZERO TOLERANCE: Organization has an annually updated list of producers participating in the C.A.F.E. Practices Program.

ZERO TOLERANCE: Each farm in the supply chain receives a receipt for coffee purchased.

ZERO TOLERANCE: Producer Support Organization does not buy, distribute or apply pesticides prohibited under the World Health Organization Type 1A or 1B lists, or that are banned according to national, regional or local laws.

To confirm your understanding and agreement, we ask our suppliers to acknowledge the elimination of zero tolerance issues within the Starbucks supply chain. Please review the attached letter and confirm its accuracy by signing it and returning it to Starbucks by November 30, 2015.

Thank you for your commitment to C.A.F.E. Practices and support of sustainable coffee production.

Best regards,

Starbucks Coffee Company