C.A.F.E. Practices

Coffee and Farmer Equity

C.A.F.E. Practices - Terms & Conditions – v4.0

C.A.F.E. Practices is a program seeking continuous improvement in sustainable coffee production. As such, we ask applicants seeking C.A.F.E. Practices approval status to meet Starbucks quality and economic transparency pre-requisites.

Note that as of October 1st, 2020 applicants will not be allowed anymore to combine large farms with medium or small farms as part of the same application.

Any C.A.F.E. Practices applications submitted to Starbucks as of October 1st, 2020 containing large farms will have to be verified only during the harvesting season; furthermore, all new applications must be verified during harvest with no exceptions. New applications are those in which at least 75% of the total farms have never participated in C.A.F.E. Practices before.

Starbucks strongly recommends that C.A.F.E. Practices verifications take place during harvest. In-harvest verifications will result in longer validity periods for applications containing medium and small farms (Table 3).

Supply chains with medium and small farms willing to undergo reverification to maintain their validity and approved status in C.A.F.E. Practices, will be obliged to conduct an in-harvest verification if the preceding verification was classified off-harvest.

C.A.F.E. Practices Status and Validity

As a reminder, since October 1st,2019, the Provisional Status is no longer granted to new supply chains in C.A.F.E. Practices.
As such, all applicants wanting to sell C.A.F.E. Practices verified coffee to Starbucks Coffee Trading Company (SCTC) must first schedule a C.A.F.E. Practices 3rd party verification AND obtain a C.A.F.E. Practices validity and status before considering any sales to Starbucks.

Note, that as of October 1st, 2020, the Preferred Status will be removed from C.A.F.E. Practices and therefore no longer will be granted to supply chains. Any applications with scores below 80% will be granted the Verified status while any scores of 80% and above will obtain the Strategic status (Table 3).

1. **Maximum sizes per application:**
   All C.A.F.E. Practices applications submitted to Starbucks (regardless of region) as of October 1st, 2020 must be limited to a maximum size by farm type per application (Table 1). Such maximum sizes not only apply for any new applications interested to participate in C.A.F.E. Practices for the

first time, but also to any supply chains already in the program interested to get re-verified to maintain their C.A.F.E. Practices statuses and validities.

Maximum size by farm type per application - Table 1.

Zones/Countries	Maximum size by farm size per application		
	Large farms (separate application)	Medium farms	Small farms
Central America + Mexico + Others	20	50	500
Asia (except Indonesia + East Timor)			500
South America			1'500
Africa			1'500
Indonesia & East Timor			1'500

2. **Initial verification:**
   a. First time applicants must complete the following steps to prepare for the initial verification:

      i. Submission of completed application.
      ii. Commitment to implement C.A.F.E. Practices guidelines throughout the supply chain, including signed confirmation that no C.A.F.E. Practices Zero Tolerance (ZT) indicators are identified.
      iii. All farms within the supply chain have been informed and consent to participating in C.A.F.E. Practices and are not a member of another C.A.F.E. Practices supply chain with a current validity.
      Note: Respective commitment letters must be made available upon request.

   b. After the verification is completed and compliance with **C.A.F.E. Practices** is confirmed, applicants will be granted an approved status of either Verified or Strategic (Table 3) depending on score achieved. The validity period is determined by verification score and harvest classification.

      i. Starbucks expects our suppliers to provide details on corrective actions and/or work plans upon request.

   c. For new applications only, the C.A.F.E. Practices validity will begin on the first day of the validity period during which the approval was granted.

3. **Renewals (Re-verification)**:
   a. **All supply chains with a current validity & status must complete their re-verification process prior to expiration of current validity to allow for an uninterrupted validity status**

   b. An early re-verification will not affect or shorten the current validity or status and will provide a continuous C.A.F.E. Practices validity for that specific supply chain application.

c. A re-verification is considered complete <u>only</u> when a new validity and status have been granted by Starbucks.

d. The C.A.F.E. Practices validity will begin on the first day of the following validity period for applicants who carry out an early verification before current validity expiration.

e. Off-harvest re-verifications will not be allowed for supply chains with an expired validity.

Any lapse in validity may cause the supply chain to be in default of contract on any outstanding shipments.
Please note: the verification process, including reporting, can take up to 2-5 months, depending on supply chain complexity, and level of compliance.
i. Estimated timeline:
a. 3rd party field verification time +
b. 4-6 weeks client draft report preparation +
c. 2 weeks for client review +
d. 2 weeks for Starbucks final submission & review

Please consider that any Zero Tolerance (ZT) non-compliance issues can extend these timelines.

4. **Expired Validity & Pending Re-verification:**
Starbucks reserves the right to reject any coffee shipment until a re-verification has been completed and a new C.A.F.E. Practices status and validity have been granted. A new C.A.F.E. Practices status and validity can only be granted once all requirements have been met.

5. **Verifications with Zero Tolerance (ZT) Instances**
a. If non-compliance with Zero Tolerance (ZT) indicators is identified by the 3rd party verification organization, the applicant will be requested to develop and submit a Corrective Action Plan. The applicant will be notified by the verifier and the 3rd party Scientific Certification System (SCS) which will also be supervising the whole process.

b. The applicant is responsible for the implementation of the Corrective Action Plan to resolve all Zero Tolerance (ZT) instances as per Starbucks requirements.

c. The applicant is responsible for contacting and scheduling the 3rd party ZT check to confirm compliance with all Zero Tolerance indicators.
Note: the 3rd party ZT check must be undertaken by the same verification organization as the original verification.

d. Upon receipt of the 3rd party ZT check report, a corresponding status and validity will be granted by Starbucks.

e. Any delays or failure to resolve Zero Tolerance (ZT) instances prior to expiration of current validity may cause supplier to be in default of contract on outstanding shipments, and penalties may apply.

6. **Final Status and Validity:**
a. Status and validity will be granted once all requirements have been met and approved by Starbucks. Unlike the previous version of the Terms and Conditions in which there were 2 different cycles (validity periods and tracking cycles); **it has been decided for more clarity**

and considering the new scores and corresponding status and validity, to go back to one cycle only.

<u>Start Date:</u> Note: All coffee volumes sold to Starbucks Coffee Trading Company (SCTC), sourced from C.A.F.E. Practices verified supply-chains, will be tracked on a yearly basis as per Table 2. The coffee volumes will be tracked considering the shipped-on board bill of lading date (not the contractual shipment date or harvest date).

    b. Note: The C.A.F.E. Practices verification process, including reporting and **approval**, <u>must</u> be completed prior to intended shipping period.

    c. <u>**End Date:**</u> Status and length of validity will vary depending on verification score achieved and in / off-harvest verification as defined in Table 3.

    d. <u>**Note**</u>: C.A.F.E. Practices coffee must be shipped within your current validity period. **Coffees harvested within your validity period but shipped after validity expiration will not be accepted. It is therefore essential for suppliers to closely monitor the actual shipped volumes versus the C.A.F.E. Practices approved volumes per supply chain.**

<p align="center"><u>**Validity cycles per Country / Region - Table 2.**</u></p>

Countries / Regions	Volume Tracking & Validity Periods
Colombia / North & Central: [Boyaca, Cesar, La Guajira, Magdalena, Norte de Santander, Antioquia, Caldas, Cundinamarca, Quindio, Risaralda, Santander, Casanare] **Hawaii**	**Oct 1st – Sep 30th**
Cameroon, Ethiopia, Kenya, Tanzania, Uganda	
Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Jamaica, Mexico, Nicaragua, Panama, Puerto Rico	
China, India, Laos, Myanmar, Nepal, Philippines, Sumatra, Thailand, Vietnam	
Colombia / South: [Cauca, Huila, Nariño, Tolima, Valle del Cauca, Meta, Caqueta] **Peru, Bolivia, Ecuador**	**May 1st – April 30th**
Burundi, Cape Verde, Malawi, DR-Congo, Rwanda, Zambia, Zimbabwe	
East Timor, Papua New Guinea, Sulawesi, Java, Bali	
Brazil	**Aug 1st – July 31st**

The consolidated tracking of shipped coffee volumes will strictly follow the dates in Table 2, and **all coffees shipped after the end of the tracking cycle will fall into the next year's cycle.**

Scores and corresponding Status & Validity - Table 3.

The new validities will apply for Mexico, Central America, Hawaii and Caribbean as of October 1st, 2020 and January 1st, 2021 for all other regions.

Verification Scores	Harvest Classification	Status	Validity	Strategic Premium
SMALL & MEDIUM FARMS				
80% +	In-harvest	Strategic	2 years	YES
Below 80%	In-harvest	Verified	2 years	NO
ALL Scores	Off-harvest*	Verified	1 year	NO
LARGE FARMS				
80% +	In-harvest	Strategic	1 year	YES
Below 80%	In-harvest	Verified	1 year	NO

*Next one must be In-harvest

7. **In-harvest Classification:**

- 50% or more of the sampled medium and small farms, all large farms, and all standalone mills must be inspected during harvest and classified as in-harvest, as per the definition below, for the application to qualify as in-harvest. Corresponding validities will apply (Table 3).

- In-Harvest/In-Operation definition:
    a. Farm level
        1. Large and medium farms have ripe or ripening cherries which can be observed on some part of the farm at time of inspection AND 15% of the total number of workers, including permanent and temporary workers, is present on the day of the inspection. Where 15% of the total number of workers is fewer than three, a minimum of three workers must be present and available for interviews during the inspection.

        2. Smallholder farms with on-site milling have ripe or ripening cherries which can be observed on some part of the farm at time of inspection, AND if it is demonstrated through visual, interview, and documented evidence that

machinery (de-pulpers, washers, fermentation tanks, mechanical dryers, water treatment systems) has been operating at least once during the current harvest cycle.

3. Smallholder farms have ripe or ripening cherries which can be observed on some part of the farm at the time of inspection.

In-Harvest verification is not mandatory for re-verifications of applications with medium and small farms but may provide a longer validity period and reduce verification costs over time (Table 3).

    b. Mill level

      1. Wet processors: Machinery (de-pulpers, washers, fermentation tanks, mechanical dryers, water treatment systems) must be or have been operating within one (1) week preceding the verification.

      2. Dry processors: At least 50% of permanent workers (permanent and temporary workers when applicable) must be present on the day of the verification.

An Off-harvest verification for a stand-alone mill will classify the entire application as Off-Harvest.

    c. Warehouse level

      1. At least 50% of workers (permanent and temporary workers when applicable) must be present on the day of the verification.

The warehouse classification (whether in or off-harvest) does not affect the overall application harvest classification.

Warehouse definition: An entity other than a processor that is part of a C.A.F.E. Practices supply chain, and that stores coffee. Warehouses are to be included within the scope of C.A.F.E. Practices verifications as a distinct entity if it is in a separate location from other entities such as mills, and if the entity employs workers. A warehouse facility that is part of a dry mill compound and managed together with the dry mill would not be considered as a separate entity.

Sampling Methodology - Table 4

The new sampling methodology will apply for Mexico, Central America, Hawaii and Caribbean as of October 1st, 2020 and January 1st, 2021 for all other regions.

Entities	Size	New Verification	Re-verification	
	(Hectares)	Sampling	Sampling	Zero Tolerance
Smallholder Farms & corresponding mills	< 12	Square root of the total smallholder farms multiplied by (1.5).	15% of farms previously verified + 85% of new farms / not previously verified + All entities with Previous Zero Tolerance	<u>Note</u>: All entities with <u>prior zero tolerance issues</u> must be included in re-verification application and will be verified <u>in addition</u> to normal sample.
Medium Farms & corresponding mills	12 - 49.9	All sampled; except when application consists of more than 10 medium farms, then sampling method will be: the first 10 medium farms + square root of the number of medium farms greater than 10 multiplied by (1.5). Formula: $10 + 1.5\sqrt{(x-10)}$ (where "x" equals 'total number of medium farms).		
Large Farms & corresponding mills	≥ 50	All sampled.		
Mills *	N/A	All sampled	All sampled	
Warehouses **	N/A	All sampled	All sampled	

* Mills with at least 1 year of validity starting the date of the validity period of the application do not need to be inspected.

** Warehouses that have already been inspected during the same harvest period **and** for the same supplier do not need to be re-inspected.

Generic and Smallholder Scorecards

- **Smallholder Scorecard:** Smallholder farms and corresponding mills will be evaluated against the Smallholder Scorecard if milling operations are done on-site.

- **Generic Scorecard:** Stand-alone or independent wet and / or dry mills will be evaluated against the Generic Scorecard.

- **Generic Scorecard:** Medium and large farms, including corresponding wet and dry mills, will be evaluated against the Generic Scorecard.

Continuous Improvement Check-ins

- As C.A.F.E. Practices seeks to promote sustainable coffee production and milling throughout the supply chain, and improve the social and environmental conditions, suppliers are expected to commit to continuous improvement

Please note that the verification report, application, and the performance of the supplier may be subject to further audits.

A C.A.F.E. Practices status neither implies nor guarantees that coffee will be purchased by Starbucks Coffee Trading Company (SCTC).

* For any clarifications, assistance, or questions regarding your status please contact us at CAFEprac@starbucks.com.

** To learn more about C.A.F.E. Practices please visit:

https://www.scsglobalservices.com/starbucks-cafe-practices