

C.A.F.E. PRACTICES

**RESULTS
ASSESSMENT**

FISCAL YEARS 2011-2012

**CONSERVATION
INTERNATIONAL**



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Executive Summary

Starbucks Ethical Coffee Sourcing and Farmer Support

Starbucks Coffee Company is committed to buying and serving high quality, responsibly grown, ethically traded coffee to help create a better future for farmers and a more stable climate for the planet.

Recognizing that its long-term success is linked to the success of the hundreds of thousands of farmers who grow its coffee,

Starbucks is working on-the-ground with farmers to help improve coffee quality, ensure social and environmental best practices and invest in loan programs for coffee-growing communities. By helping to sustain coffee farmers and strengthen their communities, Starbucks is ensuring an abundant supply of high-quality coffee for the future.

STARBUCKS GOAL

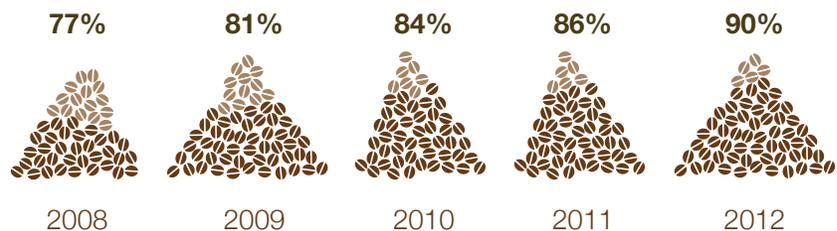
By 2015, all Starbucks coffee will be third-party verified or certified, either through Coffee and Farmer Equity (C.A.F.E.) Practices, Fairtrade or another externally audited system.

Starbucks approach to sourcing responsibly grown and ethically traded coffee is grounded in C.A.F.E. Practices,

a comprehensive set of social, economic, environmental and quality guidelines aimed at continuous improvement and developed by Starbucks in collaboration with Conservation International (CI).

In 2012 Starbucks bought 90 percent of its total coffee through C.A.F.E. Practices – 491 million pounds worth.

Fig 1 // Percentage of Starbucks Coffee Verified By C.A.F.E. Practices



THE STARBUCKS - CONSERVATION INTERNATIONAL PARTNERSHIP

Starbucks and CI have been working together for more than 15 years, developing and applying a comprehensive set of environmental, social and economic guidelines used to source ethical coffee. These guidelines, known as Coffee and Farmer Equity (C.A.F.E.) Practices, help Starbucks evaluate and reward producers of high-quality, socially responsible and sustainably grown coffee.

As part of its commitment to continuous improvement and the expansion of support for coffee-growing communities globally, Starbucks and CI have conducted results assessments of the C.A.F.E. Practices program since 2008. These reports, along with field studies from Guatemala, Colombia and Brazil, measure the adoption of best practices at a country and global level, identify areas for program enhancement, and help Starbucks better understand how C.A.F.E. Practices contributes to improved farmer well-being and environmental health.

In Guatemala, Colombia and Brazil, CI developed and implemented field surveys among coffee farmers to assess and evaluate the results of the C.A.F.E. Practices program for farmers, workers and conservation. Significant findings from Guatemala include: a strong relationship between participation in C.A.F.E. Practices and greater stability of natural habitat on farms, as well as a decrease in the use of herbicides, pesticides and chemical fertilizers at rates significantly higher than those not participating in the program, which is good for the health of the workers and of the soil. In Colombia, the survey

findings include: C.A.F.E. Practices farmers had higher productivity on their farms, resulting in higher overall income. Initial findings from surveys in Brazil include: C.A.F.E. Practices participants received a five percent higher price on average, as well as a higher minimum sales price than non-participants.

In addition to C.A.F.E. Practices, the Starbucks-CI partnership goes beyond the coffee farm to protect rich, surrounding landscapes. By piloting innovative projects with coffee-growing communities, Starbucks and CI are improving coffee production, conserving and restoring natural habitat, and facilitating farmer access to forest carbon markets.

In Chiapas, Mexico, three nurseries have produced more than 200,000 seedlings to restore the natural forest cover by employing shade-growing best practices, and more than 23,000 tons of carbon offsets have been sold. In North Sumatra and Aceh Tengah, both in Indonesia, 14 communities have established conservation coffee agreements and farmers receive training on composting, pruning and other extension services. Each project employs different approaches to addressing the climate challenges facing coffee producers while exploring the potential of carbon markets to benefit both livelihoods and conservation efforts.

Learn more about C.A.F.E. Practices and Starbucks partnership with CI by visiting: <http://www.starbucks.com/responsibility> <http://www.conservation.org/starbucks>

People Social	Planet Environmental	Product Economic
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Purpose

Ensure fair and non-discriminatory hiring and employment policies. Protect employees from workplace hazards. Conform to national laws as well as to international conventions related to occupational health, safety and living conditions. Strive to improve the quality of life for coffee farmers and workers.

Ensure that all coffee is grown and processed in a manner that minimizes environmental impacts. Many of the coffee-growing regions overlap with areas rich in biodiversity—called Key Biodiversity Areas. By encouraging sustainable farming, Starbucks helps to alleviate pressures on these valuable habitats.

Ensure that all coffee sold to Starbucks meets its high quality standards. Starbucks strives to create a program that is financially accessible for small farmers and rewards all suppliers for ongoing improvement of social and environmental practices.

Criteria Verified

Pre-Requisite

Wages	Benefits	Soil	Waste	Equitable Payments	Green Coffee Preparation
Education	Medical Care	Water Use and Conservation	Shade Canopy	Receipts/Invoices	Cup Quality
Living Conditions	Human Rights	Energy	Agro-Chemical Use	Long-Term Viability	Farm Traceability
Wildlife					

Results

Participating farms provided more than 3.9 million workers with full-time, part-time or temporary employment from 2008 to 2012.	Coffee farms are making valuable contributions to habitat conservation in these globally important areas for biodiversity.	Small farms of less than 12 hectares make up at least 96 percent of the farms verified through C.A.F.E. Practices in each year from 2008 to 2012.
Each year on average, more than 440,000 workers employed on participating farms earned higher than the minimum wage.	At least 99 percent of participating farms had not converted any natural forest habitat to coffee production areas since 2004.	At least 94 percent of Producer Support Organizations, which support networks of small farms, had tracking systems from point of purchase to point of export in each of the analysis years.
At least 89 percent of full-time workers employed by mills received paid sick leave in each of the analysis years.	At least 81 percent of farms used organic matter or cover crops to improve or maintain soil fertility in each of the analysis years.	At least 87 percent of Producer Support Organizations ensured small farms received a receipt for their coffee harvest in each of the analysis years.
100 percent of small farms that had school age children living on the farm ensured that these children attended school in each of the analysis years.	Participating farms have averaged 121,000 hectares (almost 300,000 acres) designated for conservation areas each year.	One time incentives are offered to suppliers who achieve the highest performance level and to those that demonstrate significant improvement over time with the aim of encouraging continuous improvement in the program.
At least 94% of workers on small farms had access to potable water in each of the analysis years.	At least 90 percent of stand-alone mills processed waste in a way as to not contaminate the local environment in each of the analysis years.	At least 99% of medium and large farms paid wages directly to workers in each of the analysis years.

USING SCALE FOR GOOD

The geographic reach of C.A.F.E. Practices is vast and includes coffee producers in 22 countries across four continents. These countries significantly overlap with eight of the world's most biologically rich but most threatened regions. All of the countries supplying coffee via the C.A.F.E. Practices program are developing countries, with over 20 percent falling in the low income category. By ensuring fair wages and promoting access to health care and education, Starbucks is working to improve the well-being of coffee communities worldwide.

Starbucks offers technical support to coffee producers through farmer support centers. These centers allow Starbucks agronomists and quality experts to collaborate directly with farms to encourage responsible growing practices and improve the quality and size of their harvests. Starbucks has farmer support centers in Costa Rica and Guatemala that serve coffee communities throughout Central America. In East Africa, farmer support centers are located in Rwanda and in Tanzania. In 2012, Starbucks opened its first Asia farmer support center in the Yunnan province of China and the first South America farmer support center in Manizales, Colombia.

Fig 2 // Countries with C.A.F.E. Practices Verified Producers

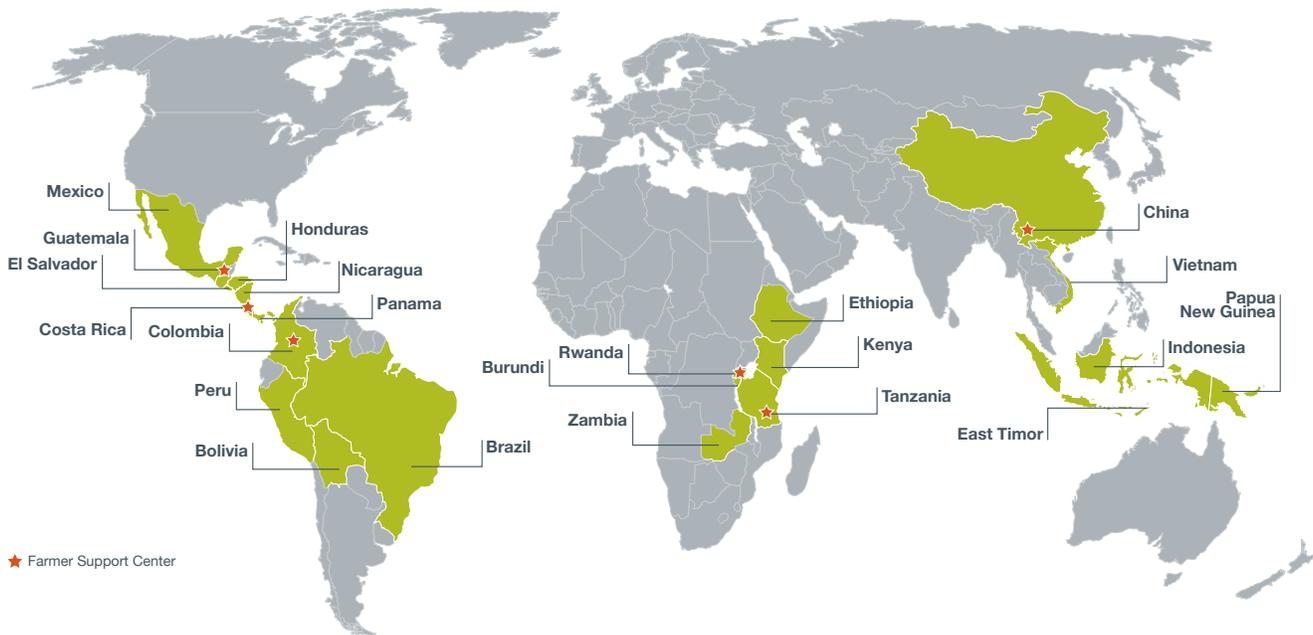
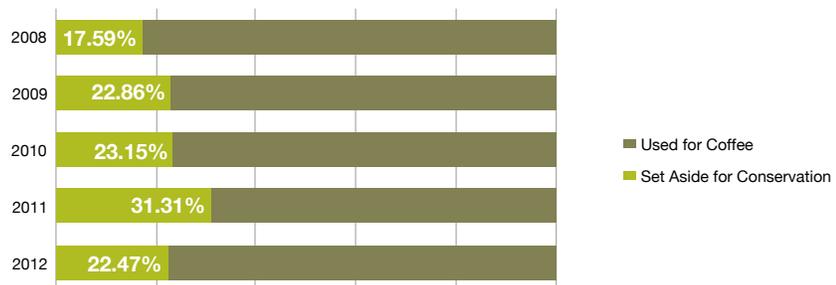


Fig 3 // Hectares Verified Through C.A.F.E. Practices*



* Figures represent only those applications verified through C.A.F.E. Practices in a given fiscal year.

2011-2012 REPORT HIGHLIGHTS

The C.A.F.E. Practices program tracks 249 indicators to assess the social and environmental performance of coffee farms, mills and organizations that support smallholder producers (producer support organizations, or PSOs). This report focuses primarily on supplier performance against these objectives during the 2011 and 2012 fiscal years, while referring to trends dating back to 2008 where relevant.

- In both 2011 and 2012, over 95 percent of participating farmers were smallholders with fewer than 12 hectares of land. In 2011, these smallholders worked just under half of all the productive land within the program, and in 2012, they worked nearly two-thirds of productive land.
- In 2011, farms employed over 32,000 full-time workers – more than any other year since 2008. In 2012, farms employed fewer workers overall, but more permanent workers on average per farm than in any other year and a higher number of temporary workers per farm than in 2011.
- One of the aims of the C.A.F.E. Practices program is to improve the productivity of coffee farmers. When looking at yield in relation to approval status, applicants who achieved the second highest designation (or “preferred” status) had the highest average yield. Applicants with instances of non-compliance against zero-tolerance indicators had by far the lowest yield, on average.
- Regionally, Africa, Asia and North & Central America each achieved their highest levels of performance in terms of average total score in 2012. Despite a slight increase from 2011 levels, South America's total score in 2012 remained below that achieved in 2009 and 2010.
- After a decline in performance in 2011, farms achieved the highest subject area scores for Social Responsibility and Environmental Responsibility in 2012 (81 percent and 77 percent, respectively).
- Of the farms re-verified in 2011 and 2012, 49 percent saw improved performance scores and 24 percent achieved an improved approval status.
- This report marks the first time CI has examined specific Key Performance Indicators (KPIs) for climate change. While there were no clear patterns in performance for these indicators, farms demonstrated noticeable improvements for shade management plans and plant diversity from 2011 to 2012.
- Small farms (less than 12 hectares) outperformed medium and large farms in three of four Environmental Responsibility KPIs, but lagged slightly behind in four of six Social Responsibility KPIs.

This assessment continues to serve as an important tool for Starbucks as they seek to better understand the effectiveness of the C.A.F.E. Practices program and its impacts on coffee farmers, communities and landscapes.

Introduction

Over the last 15 years, Conservation International (CI) and Starbucks have worked together to build a more sustainable coffee industry. Throughout the course of this work together, Starbucks has invested over \$70 million – including \$25 million to CI – to promote sound environmental coffee production practices that support growers, their communities and healthy coffee landscapes around the world.¹

In 2008, CI began assessing the impacts of Starbucks investment in the Coffee and Farmer Equity (C.A.F.E.) Practices program, Starbucks internal coffee supplier verification program developed in partnership with CI and SCS Global Services, the third-party responsible for training, approval and oversight of the independent verification organizations for the C.A.F.E. Practices program.

The C.A.F.E. Practices program is designed to improve coffee producer and community livelihoods and protect the natural ecosystems upon which these communities depend by driving the adoption of recognized best practices for management, labor (hiring practices and working conditions), coffee growing and coffee processing. Starbucks has set a goal to ensure that 100 percent of their coffee is ethically sourced by 2015, which

includes coffee sourced through C.A.F.E. Practices as well as through other third-party certification programs. Starbucks has made steady progress toward this goal over each year from 2008-2012, with 90 percent of the coffee they purchased in 2012 verified through C.A.F.E. Practices.

This report is the third in a series of global assessments that examines the results of the C.A.F.E. Practices program based on the analysis of verification reports. While this report and the two previous results assessment reports examine supplier compliance with C.A.F.E. Practices criteria, CI has also carried out field surveys to better understand the on-the-ground impacts of the program in three key sourcing countries – Guatemala, Colombia and Brazil.²

This report focuses primarily on supplier performance during the 2011 and 2012 fiscal years, while referring to trends dating back to 2008 where relevant. It examines a set of Key Performance Indicators (KPIs) that serve as a dashboard for success within each of the primary subject areas related to social and environmental responsibility. A set of country-level dashboards is also included to examine the KPIs at a more granular level to identify and highlight regional trends in performance.

¹ For more information on the partnership between Starbucks and CI, visit: www.conservation.org/starbucks.

² These reports, which provide further analysis of how the practices promoted by the C.A.F.E. Practices program are affecting producer and community livelihoods and the environmental landscape, can be found online at www.conservation.org/starbucks, under the Ethical Coffee Sourcing Practices.

Methods

The C.A.F.E. Practices program tracks 249 indicators to assess the social and environmental performance of coffee production and processing. Each applicant to the program, or “application”, represents a supply chain consisting of a farm, group of farms, mills, and – where smallholders are included in the applicant group – organizations that support small farmers (Producer Support Organizations or PSOs). All indicators are evaluated through field visits by approved third-party verification organizations³ according to standard sampling methods for participating farms, mills and PSOs on a 1- to 3-year cycle, based on performance. Small farms and producer support organizations are evaluated against a smaller subset of the 249 criteria, with small farms verified against 88 applicable social and environmental indicators and PSOs verified against 38.

Seven of these indicators are considered “zero-tolerance,” which set the minimum bar for participation in the C.A.F.E. Practices program. Applications consisting of a single medium or large farm that fail to meet the required zero-tolerance requirements receive a non-compliant status. For applications consisting of multiple farms, at least 50 percent of the verified farms must meet the zero-tolerance indicators to achieve an approved status in the program. Any farms failing to meet the zero-tolerance requirements are removed from the application approval and the

representative volume is subtracted from the approved C.A.F.E. Practices volume.

This report looks primarily at the performance of farms, PSOs and mills against these zero-tolerance indicators, along with several other important indicators that have been identified by Starbucks and CI as KPIs. These KPIs have been selected based on their ability to provide important information for management of the program. Starbucks and CI have also identified a subset of issue-specific KPIs that seek to monitor farm performance in areas of strategic importance to Starbucks, such as on-farm activities related to climate change and the performance of smallholder farms (less than 12 hectares) in the program. While these KPIs only represent a small portion of all C.A.F.E. Practices indicators, they offer significant insight into the overall effectiveness of the program.

This report provides an analysis of verifications completed during Starbucks 2011 and 2012 fiscal years⁴. Verification organizations generated reports for applicants that were either new to the program or underwent re-verification during these years. Therefore, the analysis in this report is limited to only those new or continuing participants and does not include the full pool of Starbucks suppliers with an active status. For these reasons, performance trends may be highly influenced by the composition of

³ SCS Global Services trains and approves qualified third-party organizations to verify suppliers participating in the C.A.F.E. Practices program.

⁴ Starbucks fiscal year runs from October through September. Verifications included in the 2011 analysis were conducted between October 2010 and September 2011. Verifications in the 2012 analysis were conducted between October 2011 and September 2012.

applications verified in a given year. One key factor affecting the composition of applications is multi-year validity, which is tied to performance and used as a tool to encourage farms to improve performance and allow time for supply chains to implement changes.

While there have been no significant changes to the C.A.F.E. Practices program since fiscal year 2009, Starbucks has recently released version 3.0 of the C.A.F.E. Practices program guidelines. Version

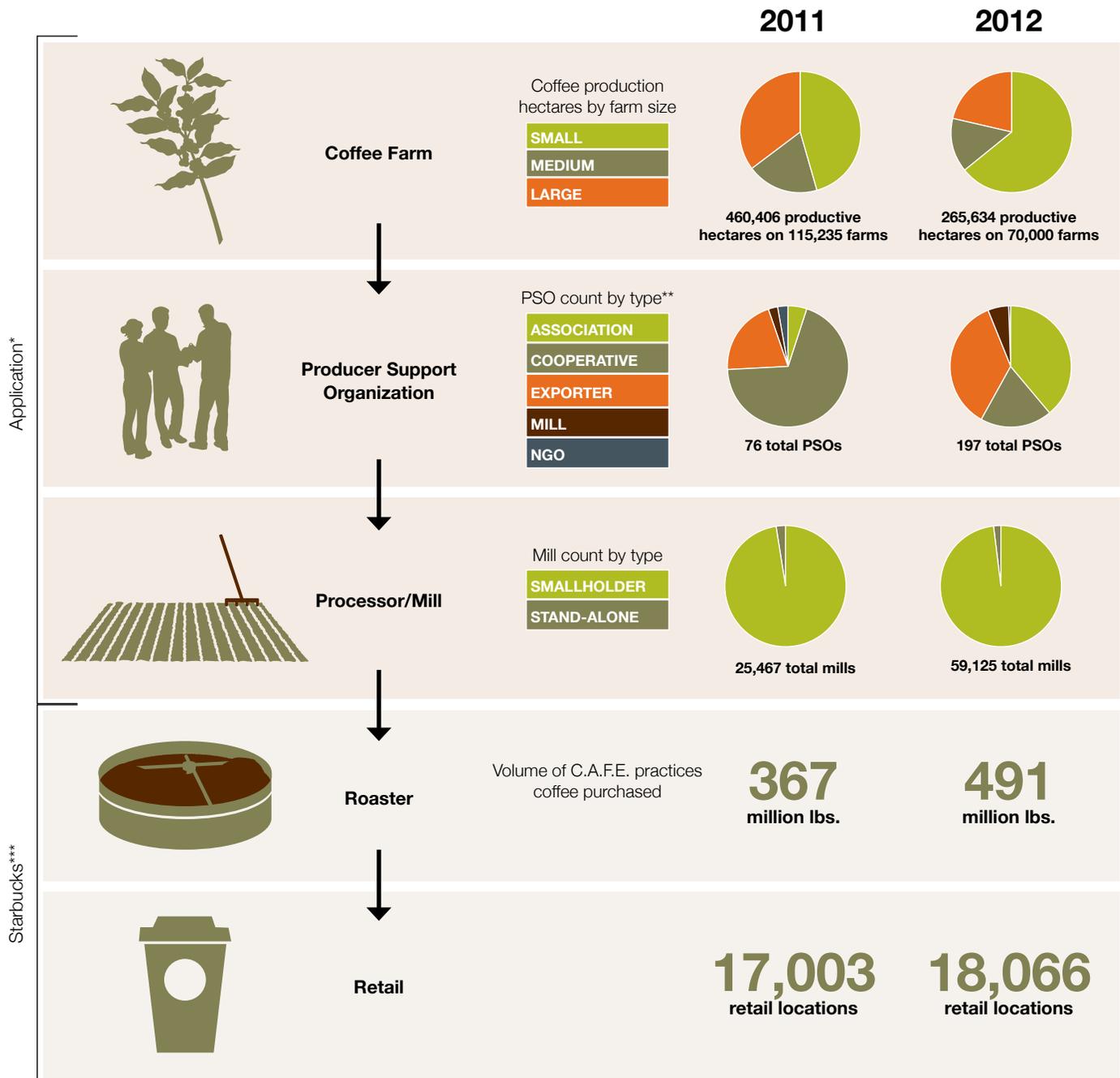
3.0 represents a significant update and refocusing of the program, eliminating some indicators deemed less critical as measures of good management and introducing new indicators to assess emerging issues such as vulnerability to climate change. To establish a baseline moving forward, all indicators that will become part of the zero-tolerance (or minimum) requirements in version 3.0 of the program have been included in this report as KPIs.

Participation

The C.A.F.E. Practices program assesses adoption of best practices at multiple levels of the Starbucks supply chain. Participants include coffee farmers, coffee processors or mills, and organizations that provide support services to smallholder farmers (PSOs). Coffee farms are categorized as small (less than 12 hectares), medium (12-49.9 hectares), or large (50 hectares and larger). The structure and organization of PSOs can vary – examples include associations, cooperatives, export

companies, mills or NGOs. Some coffee farmers have on-site, small-scale wet mills, where the coffee cherry is removed before the bean is dried. Others send coffee cherries directly to larger-scale, stand-alone mills that process them through wet and then dry methods. After processing, Starbucks buys “green coffee” beans and roasts them in their own facilities before packaging and selling beans in stores or brewed drinks.

Fig 4 // Starbucks Coffee Supply Chain



* Application figures – those shown for Coffee Farms, Producer Support Organizations and Processors/Mills – represent only those C.A.F.E. Practices applicants verified in 2011 and 2012.

** Total PSO counts include all verified PSOs, while graphs represent only those having data on type of entity. This represents 51 percent in 2011 and 93 percent in 2012.

*** Starbucks figures – those shown for C.A.F.E. certified coffee purchases and retail locations – represent all Starbucks roasting and retail operations.

// FINDINGS ON PARTICIPATION

With just 70,000 farms undergoing verification in the program, 2012 had the lowest farm count of any year since program analysis began in 2008. It also included the fewest total productive and conservation hectares added to the program. In contrast, 2011 saw much higher enrollment and the second-highest number of productive hectares included in the program. 2011 also saw the highest number of conservation hectares added to the program – over 209 thousand hectares, nearly double any other year – with a higher than usual proportion of these conservation hectares coming from large farms and from farms in South America.

In both 2011 and 2012, over 95 percent of participating farmers were smallholders with fewer than 12 hectares of land. In 2011, those smallholders worked just under half of all the productive land within the program, and in 2012, they worked nearly two-thirds of the productive land. Cooperatives represented nearly three-quarters of all PSOs in 2011, with the next largest constituency coming from export companies. In 2012, exporters and associations together made up three-quarters of PSOs, with cooperatives making up another significant share of PSOs.

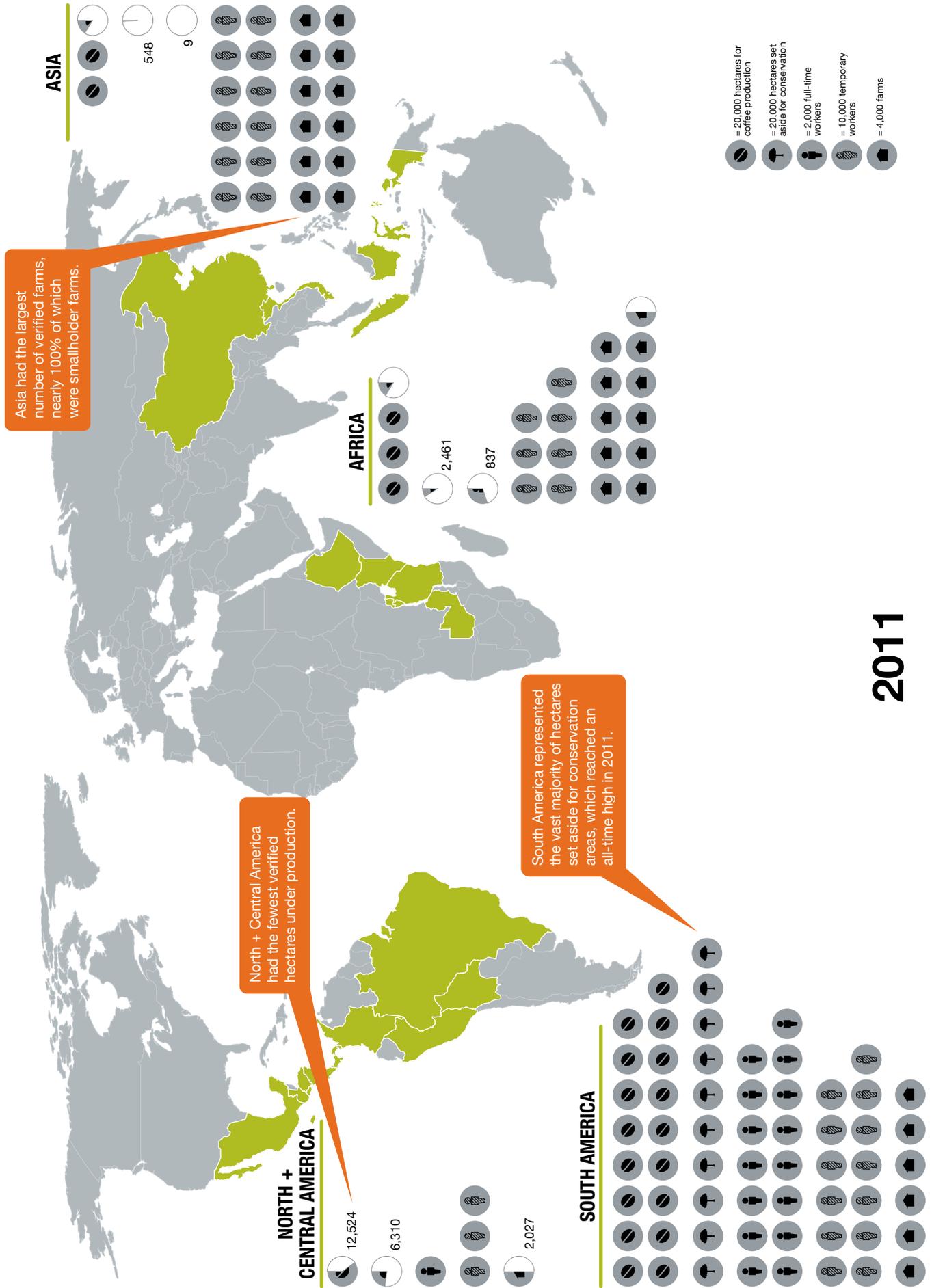
In 2011, farms employed more full-time workers than in any other year, but fewer

temporary workers than any other year and the fewest temporary workers on average per farm in any year. In that year, the vast majority of permanent workers were employed on farms in South America. In 2012, farms employed fewer workers overall, but more permanent workers on average per farm than in any other year and a higher number of temporary workers per farm than in 2011.

Each year, verifications include both new participants—or those farms, processors and PSOs being verified through the C.A.F.E. Practices program for the first time—and continuing participants, or those undergoing re-verification to maintain their active C.A.F.E. Practices status as Starbucks suppliers.

When an application undergoes re-verification, all large farms, stand-alone mills and PSOs must be re-verified. For sampled small and medium-sized farms and on-farm mills, 15 percent of the previously sampled farms must be re-verified, while the remaining 85 percent of the required sample is made up of previously unsampled farms. In 2011, the split between new participants and those being re-verified was fairly even at 48 and 52 percent, respectively. In 2012, new participants made up 35 percent of all verifications, while re-verifications made up 65 percent.

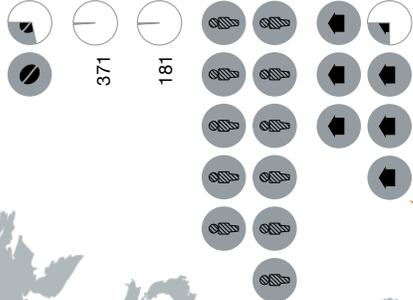
Fig 5 // Participation + Scale of Impact*



2011

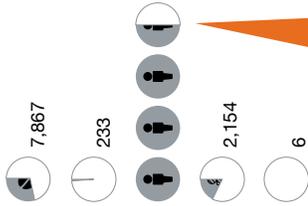
* Figures represent data only from applications verified through C.A.F.E. Practices in a given fiscal year.

ASIA



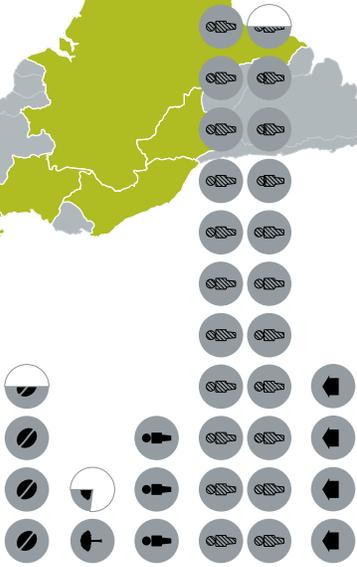
Nearly 100% of all farms in Asia were smallholder farms.

AFRICA



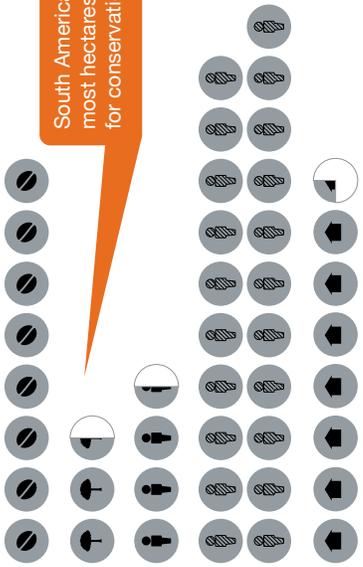
Africa employed more permanent workers than any other region, despite having the fewest farms verified.

NORTH + CENTRAL AMERICA



South America had the most hectares set aside for conservation.

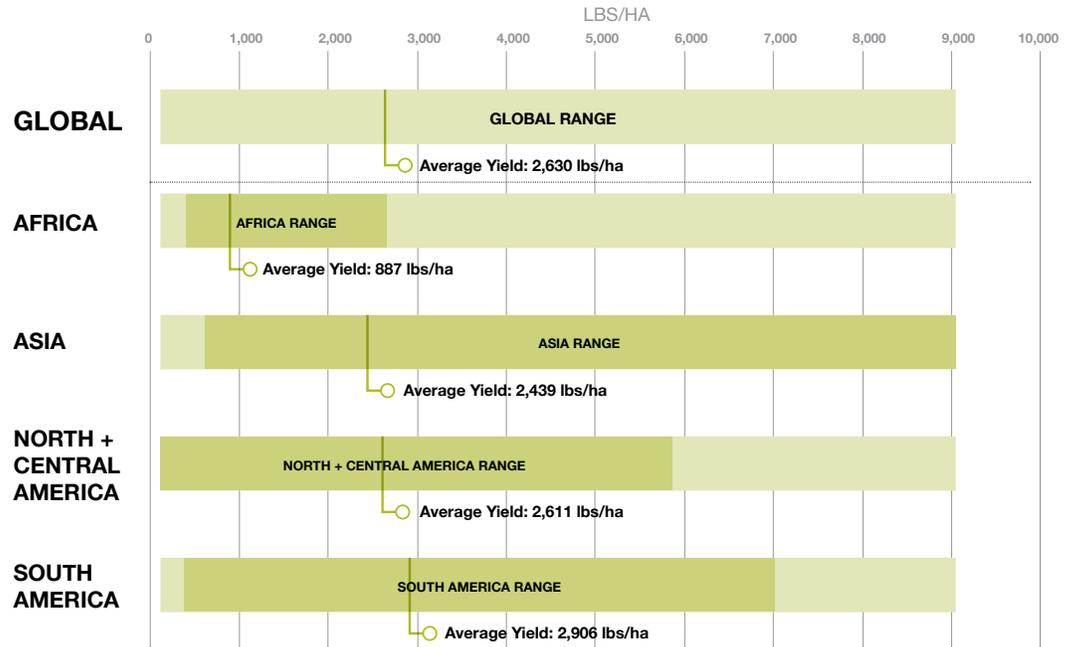
SOUTH AMERICA



- = 20,000 hectares for coffee production
- = 20,000 hectares set aside for conservation
- = 2,000 full-time workers
- = 10,000 temporary workers
- = 4,000 farms

// YIELD

Fig 6 // Yield by Region*



One of the aims of the C.A.F.E. Practices program is to improve the productivity of coffee farmers, while reducing the cost of production. The yield of a coffee farm is typically measured as pounds of green coffee (processed and dried, but unroasted) produced per hectare planted, or lbs/ha. Coffee yields vary widely across farms based on growing conditions (e.g. soil quality), environmental conditions (e.g. temperature and rainfall patterns, pests and diseases), management styles (e.g. how densely a hectare is planted, pruning practices), the species of coffee tree planted and unpredictable events like hurricanes or floods.

Farm productivity varied widely across the program, with some consistency within

regions. Participants in African countries had the lowest average yield as well as the lowest yield range, while South American participants had the highest average yield. When comparing yield to approval status within the program, applicants with instances of non-compliance against zero-tolerance indicators had by far the lowest yield, on average. Applicants who achieved a “preferred” status had the highest average yield.

As Starbucks continues to refine and advance its assessment and monitoring of the C.A.F.E. Practices program, closer analysis of the correlation between performance and yield could lead to the addition of specific KPIs related to productivity improvements.

* Yield figures represent a three-year average from the 2010-2012 verification reports.

Global Performance

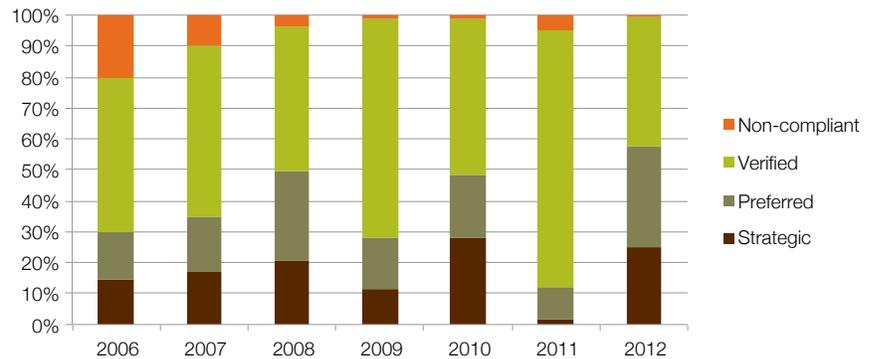
For each application verified under C.A.F.E. Practices, Starbucks assigns an approval status of strategic, preferred, verified or non-compliant based on their scoring within each subject area. The combined percentage of strategic and preferred applications hit an all-time low in 2011, but rebounded in 2012 hitting an all-time high with almost 60 percent of all applications achieving strategic or preferred status.

Each application verified under C.A.F.E. Practices receives an overall score, as well as subject area scores for social responsibility, coffee growing, wet coffee processing, dry coffee processing and economic accountability. Following a

drop-off in 2011, the average total score for all subject areas reached 80 percent in 2012 - the highest level to date. Economic accountability remains the subject area with the highest global score, followed by dry processing, social responsibility, wet processing and environmental responsibility, a trend that has played out each year since 2009.

Regionally, Africa, Asia and North & Central America each achieved their highest levels of performance in terms of average total score in 2012. However, despite a slight increase from 2011 levels, South America's total score in 2012 remained below that achieved in 2009 and 2010.

Fig 7 // Approval Status



In 2011, new participants slightly outperformed those undergoing re-verification both in average total score (67 to 64 percent, respectively) and applications receiving the two highest approval statuses (13 to 12 percent, respectively). In 2012, new participants and re-verified participants performed about the same, both receiving a score of 80 percent. The percentage of applications receiving strategic or preferred status was approximately the same as well – 57 percent.

Further analysis was conducted on participants that underwent re-verification in 2011 or 2012 to compare each re-verified application with its previous performance verification from 2008-2011. This analysis used change in approval status and change in overall application score as measures of performance improvement. Results of both analyses for

each year showed a fairly even distribution between applications with improved performance and applications with declining performance.

Looking at total application score, 49 percent of applications showed performance improvements over their previous verifications, and 50 percent showed a decline in performance. Only two applications, or one percent, showed no change in score. Looking at change in approval status, the majority of applications, or 53 percent, showed no change in status. Performance improvements of at least one status level were seen in 24 percent of applications, and performance declines were seen in 23 percent. For applications with changes of more than one status level, eight percent significantly improved and five percent significantly declined.

FARMS

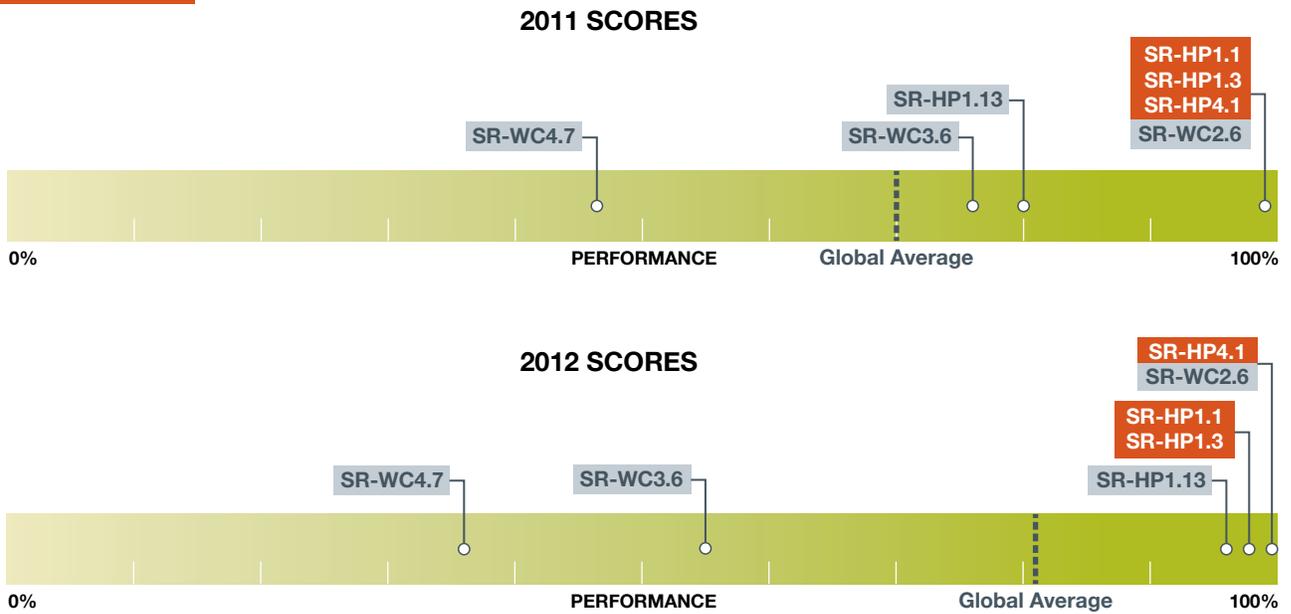
The C.A.F.E. Practices program assesses coffee farmers against indicators in three subject areas: Economic Accountability, Social Responsibility, and Environmental Responsibility. In this report, performance is analyzed in the Social Responsibility and Environmental Responsibility categories by looking at the overall subject area score as well as performance against selected KPIs in each subject area.

The subject area score, highlighted by a gray dashed bar marked Global Average

in the figures below, aggregates farm performance against all criteria within a given subject area, providing a high-level snapshot of global farm performance. The individual KPIs track zero-tolerance indicators, such as minimum wage, forced labor and child labor standards that set the minimum performance standards of the program, as well as other key indicators critical to social and environmental responsibility, such as worker safety, healthcare and forest and water resource management.

// SOCIAL RESPONSIBILITY

Zero-Tolerance Indicator



KEY PERFORMANCE INDICATORS

- SR-HP1.1 Full-time workers paid nationally or regionally established minimum wage
- SR-HP1.3 Temporary/seasonal workers paid nationally or regionally established minimum wage
- SR-HP1.13 Temporary/seasonal workers paid more than nationally or regionally established minimum wage
- SR-HP4.1 Farm does not employ children under the age of 14
- SR-WC2.6 Children of legal age attend school (where available) and do not work during school hours
- SR-WC3.6 Employer offsets the cost of health care for all workers
- SR-WC4.7 Workers use protective equipment when handling agrochemicals and operating machinery

Overall, farms scored 70 percent within the Social Responsibility subject area in 2011 – the lowest overall performance since 2009 – and 81 percent in 2012 – a return to the highest score over the four-year period. After Economic Accountability, farm performance in the Social Responsibility subject area has been the most consistent and highest performing, averaging 77 percent within an 11 percent range of performance since 2009.

Performance against all of the zero-tolerance KPIs (indicated in orange) was

near 100 percent in 2011 and above 95 percent in 2012, consistent with performance since 2008. Performance against two other KPIs in the Social Responsibility section declined from 2011 to 2012. The indicator related to workers' use of protective equipment (SR-WC4.7) declined steadily from a high of 61 percent in 2010 to 36 percent in 2012. The indicator for employers offsetting healthcare costs (SR-WC3.6) also declined from 2011 to 2012, with 2012 being an all-time low rate of compliance at just 55 percent.

ADDITIONAL FINDINGS

Beyond the KPIs, farms performed very well against the criteria set related to child labor, non-discrimination and forced labor (SR-HP4), with the highest levels of performance within the Social Responsibility section in that category in both 2011 and 2012.

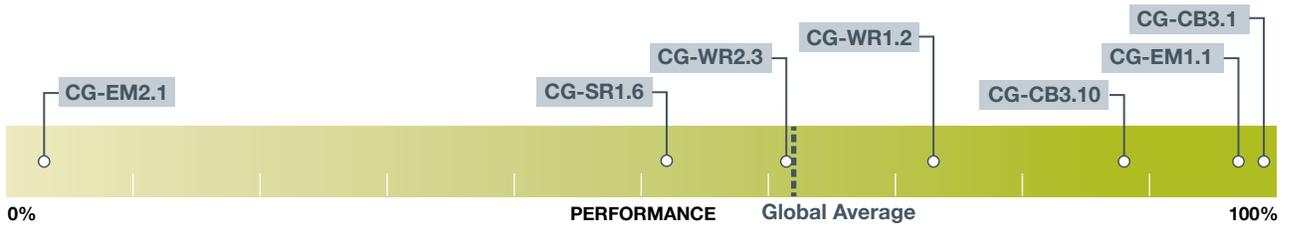
The indicators that will be considered zero-tolerance beginning with version 3.0 also saw strong performance in both 2011 and 2012, with the exception of the indicator related to legal compliance for authorized working minors (SR-HP4.5). This KPI dipped to a low of just above 75 percent

in 2011, but returned to above 90 percent in 2012, consistent with performance in previous years.

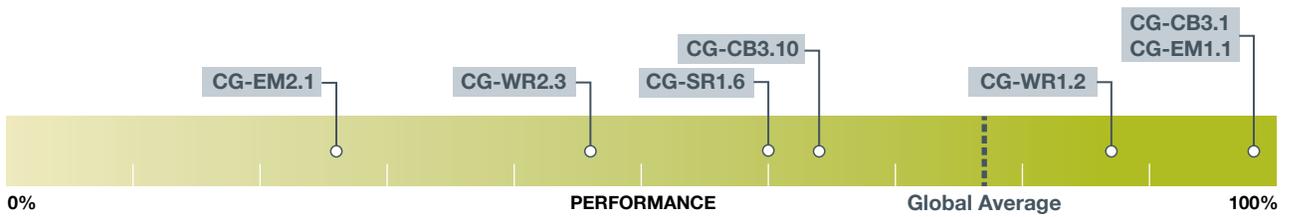
In addition, providing access to primary school instruction and materials where not otherwise available (SR-WC2.1) was applicable for a high percentage of farms and performance was near 100 percent. At the same time, performance related to prohibiting school-aged children from working during school hours (SR-HP2.9) was at nearly 100 percent across all years, but applicability of this measure has declined over time.

// ENVIRONMENTAL RESPONSIBILITY

2011 SCORES



2012 SCORES



KEY PERFORMANCE INDICATORS

- CG-WR1.2 Buffer zones maintained for at least 50 percent of permanent water bodies
- CG-WR2.3 Fertilizer use minimized
- CG-SR1.6 Productive areas with slopes of 10-20 percent covered by shade trees or vegetation
- CG-CB3.1 Natural forest not converted to agricultural production (since 2004)
- CG-CB3.10 At least 5 percent of total farm area set aside for conservation
- CG-EM1.1 Farms do not use the most harmful pesticides (WHO Type 1A and 1B)
- CG-EM2.1 Farm managers implement monitoring program to track C.A.F.E. Practices activities and improvements

Farms scored an overall average of 62 percent in the Environmental Responsibility subject area in 2011 and 77 percent in 2012. Similar to the Social Responsibility scores, 2011 was the lowest scoring year and 2012 was the highest over the four-year period since 2009.

Environmental Responsibility KPIs provided a mixed picture without much consistency over the years assessed. Performance against the two KPIs that will become zero-tolerance indicators in version 3.0 of C.A.F.E. practices (CG-EM1.1, related to non-use of the harshest agrichemicals, and CG-CB3.1, related to non-clearance of forest since 2004) remained high throughout the period from 2008 to 2012, with compliance rates above 95 percent in all years. Two KPIs (CG-WR2.3 and CG-CB3.10) showed downward trends from

2011 to 2012, with the indicator related to minimization of fertilizer use (CG-WR2.3) showing an overall downward trend since 2009. Other KPIs oscillated from dips to peaks over the period from 2008 to 2012, without a clear pattern, indicating that sustained focus on these measures may be necessary to ensure more consistent performance.

The lowest performance levels were around the implementation of monitoring plans for C.A.F.E. Practices activities and improvements (CG-EM2.1). Looking at farms assessed against this indicator, there appears to be a correlation with overall environmental performance. In 2011 and 2012, farms with a monitoring plan in place had average Environmental Responsibility scores that were 18 and 22 percent higher, respectively, than those which did not.

ADDITIONAL FINDINGS

The indicator related to keeping productive areas on shallow slopes under shade crops (CG-SR1.6) showed very high performance in both 2011 and 2012. Mapping areas like these that are at risk for erosion (CG-SR1.3) has improved steadily over time, with a high level of performance at 76 percent in 2012.

The indicators that require farmers to work closely with experts to undertake assessments and to conduct regular monitoring were among those with

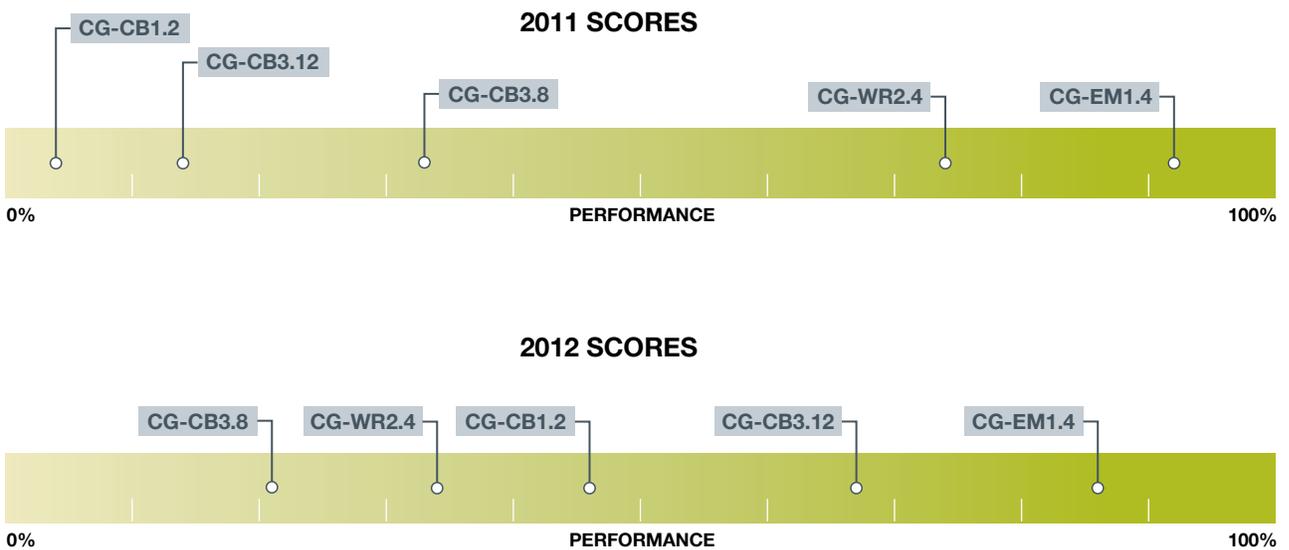
the lowest levels of performance in the program. Very few – 11 percent or less – had Wildlife Management Plans in place (CG-CB2.5) or implemented (CG-CB2.6) in either 2011 or 2012. Very few had undertaken assessments for areas of ecological value in partnership with experts (CG-CB3.4) and very few kept records of toxic load (CG-EM1.7). Additionally, the entire criteria set related to Farm Management and Monitoring (CG-EM2) saw very low performance levels, nearly all of which were below 50 percent.

HIGHLIGHT // CLIMATE CHANGE

Recognizing the potential impacts of climate change on coffee production, Starbucks worked with CI to identify a set of climate-specific KPIs within the existing C.A.F.E. Practices criteria. This report marks the first time CI has examined these climate change KPIs. These indicators

address a variety of climate-smart farming practices including reduced emissions from fertilizer use, improved carbon storage through shade and conservation areas, and proactive management of climate-related risks from pests and disease.

Additionally, a climate change criteria set has been added to version 3.0 of C.A.F.E. Practices. These indicators will track and monitor on-farm activities to mitigate climate change and strengthen resilience to climate impacts.



KEY PERFORMANCE INDICATORS

CG-WR2.4	Synthetic fertilizers are not used or the farm is certified organic
CG-CB1.2	Farm has shade management plan
CG-CB3.8	Areas of high ecological value are protected
CG-CB3.12	Diverse plant species established on farm
CG-EM1.4	Farm has insect and disease monitoring plan

Since 2009, farms have performed strongest against criteria for insect and disease monitoring plans (CG-EM1.4). Following a steady increase in the conservation of areas of high ecological value from 2008 through 2010,

performance has declined sharply, falling from 54 percent in 2010 to a low of 21 percent in 2012. Other indicators, such as shade management plans (CG-CB1.2) and plant diversity (CG-CB3.12), vary greatly between reporting years.

While there are no clear patterns in performance for these indicators, these and other KPIs continue to be monitored in future reports as Starbucks increases its emphasis on this issue with suppliers.

HIGHLIGHT // SMALLHOLDER FARMS

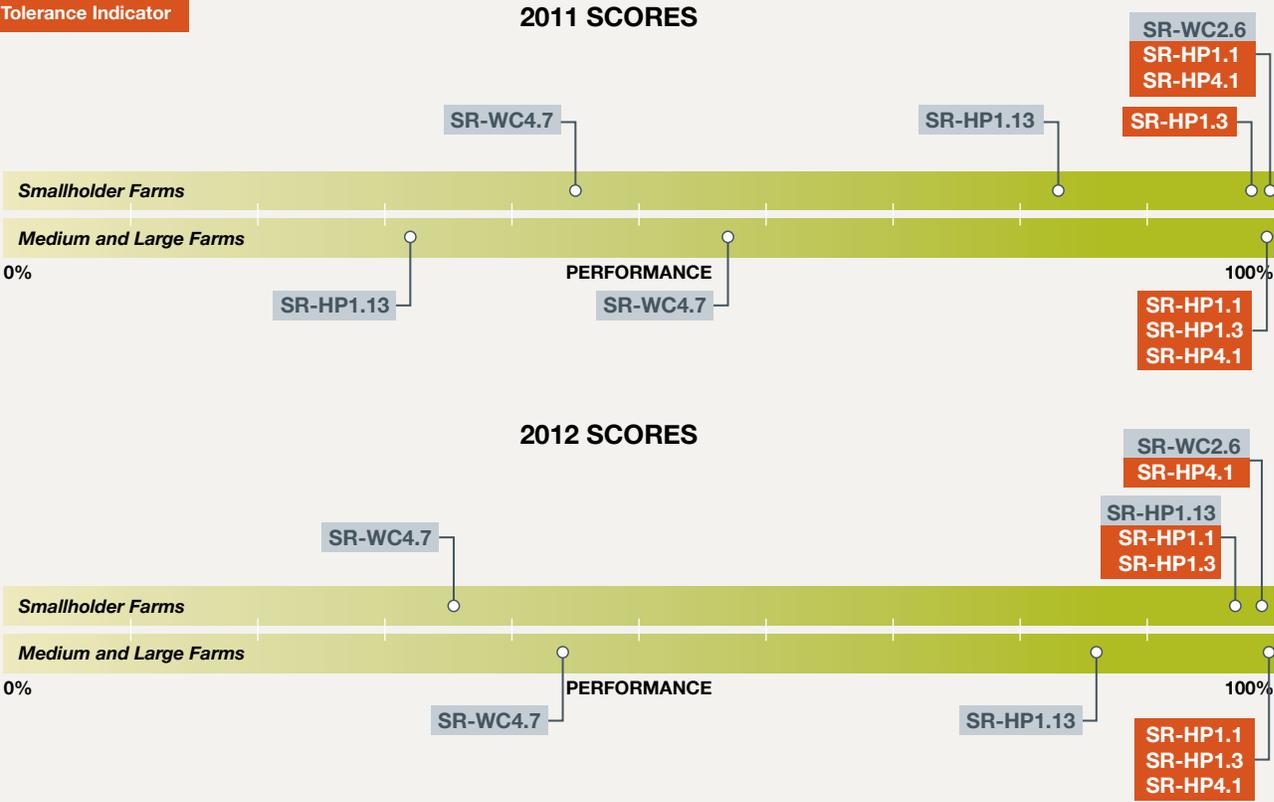
Smallholder farms – those less than 12 hectares – continue to make up the vast majority of farms in the C.A.F.E. Practices

program, accounting for over 95 percent of the farms verified each year. Smallholders are also represented in every country

participating in the program, with the exception of Papua New Guinea.

// SOCIAL RESPONSIBILITY

Zero-Tolerance Indicator



KEY PERFORMANCE INDICATORS

- SR-HP1.1 Full-time workers paid nationally or regionally established minimum wage
- SR-HP1.3 Temporary/seasonal workers paid nationally or regionally established minimum wage
- SR-HP1.13 Temporary/seasonal workers paid more than nationally or regionally established minimum wage
- SR-HP4.1 Farm does not employ children under the age of 14
- SR-WC2.6 Children of legal age attend school (where available) and do not work during school hours (smallholders only)
- SR-WC4.7 Workers use protective equipment when handling agrochemicals and operating machinery

The overall performance of smallholder farms in the Social Responsibility subject area remained relatively steady between 2011 and 2012.

Out of the KPIs reviewed, small farms performed just slightly below medium and large farms in four indicators, three

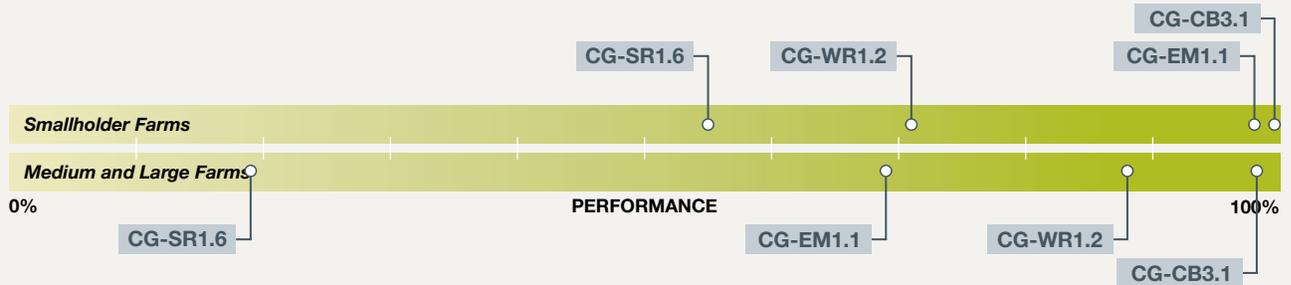
of which are zero-tolerance indicators. Despite the lag in smallholder farms paying minimum wage to full-time employees (SR-HP1.1), smallholders have improved their performance in this area since 2009 and 2010, almost closing the gap with larger farms in 2011 and 2012. Small farms exceed the performance of medium and

large farms in temporary workers receiving more than minimum wage (SR-HP1.13). The largest gap between smallholders and larger farms is in the use of protective equipment when applying agrochemicals (SR-WC4.7), which has declined steadily in small farms after a significant improvement to 61 percent in 2010.

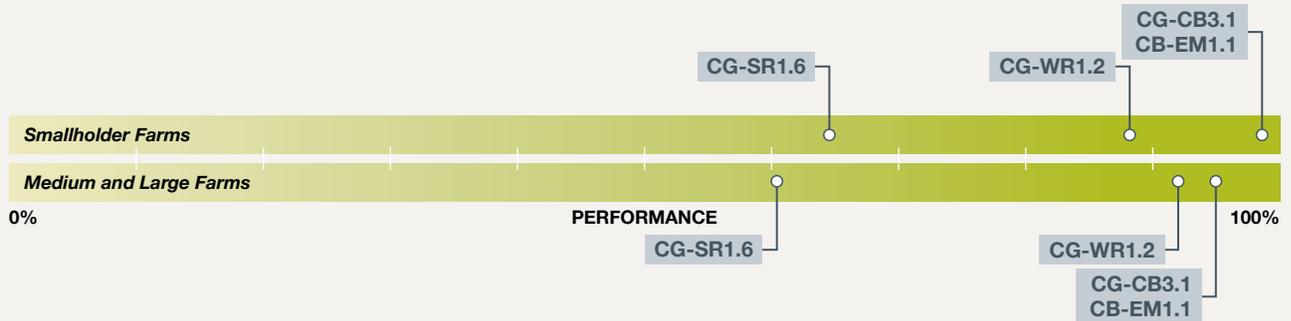
HIGHLIGHT // SMALLHOLDER FARMS (CONT.)

// ENVIRONMENTAL RESPONSIBILITY

2011 SCORES



2012 SCORES



KEY PERFORMANCE INDICATORS

- CG-WR1.2 Buffer zones maintained for at least 50 percent of permanent water bodies
- CG-SR1.6 Productive areas with slopes of 10-20 percent covered by shade trees or vegetation
- CG-CB3.1 Natural forest not converted to agricultural production (since 2004)
- CG-EM1.1 Farms do not use the most harmful pesticides (WHO Type 1A and 1B)

In 2011 and 2012, overall environmental performance remained relatively even among smallholders, with performance improving slightly or remaining the same for all five KPIs.

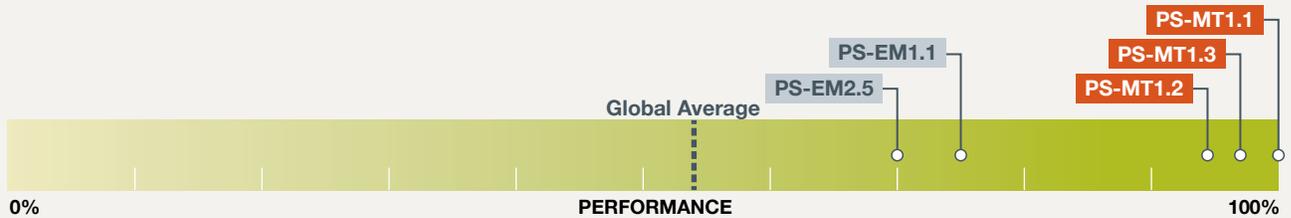
When looking at the performance of smallholders compared to other farms, the small farms outperformed their larger counterparts in three KPIs: maintaining shade cover on slopes (CG-SR1.6), preventing the conversion of natural forest

(CG-CB3.1), and refraining from use of the most harmful pesticide (CG-EM1.1). Medium and large farms maintained stronger performance in establishing buffer zones around 50 percent of permanent water bodies (CG-WR1.2).

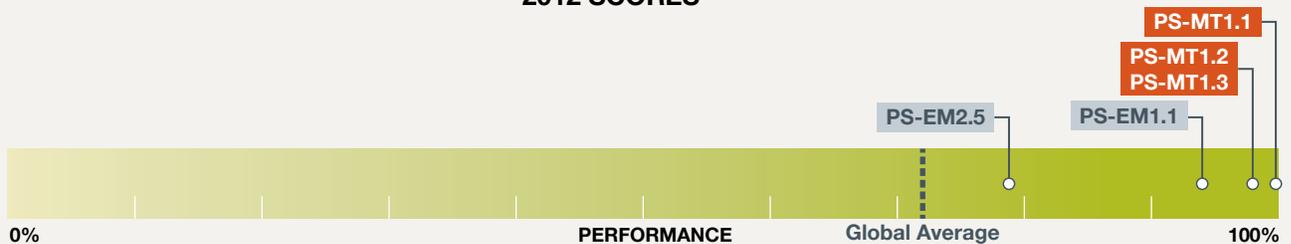
PRODUCER SUPPORT ORGANIZATIONS (PSOs)

Zero-Tolerance Indicator

2011 SCORES



2012 SCORES



KEY PERFORMANCE INDICATORS

PS-MT1.1	Supply chain has system for tracking product from purchase to export
PS-MT1.2	PSO maintains a list of producers participating in C.A.F.E. Practices program
PS-MT1.3	Each farm receives a receipt for coffee
PS-EM1.1	PSOs do not purchase, distribute or apply the most harmful pesticides (WHO Type 1A and 1B)
PS-EM2.5	PSO develops written management plan addressing productivity, training, soil management and resource sharing

Producer support organizations (PSOs) support smallholder coffee growers participating in C.A.F.E. Practices by aiding in farm management processes, providing technical assistance and working together with growers to advance best practices.

One of the KPIs identified for this report was the development of written management plans by the PSO. Performance in this KPI has been increasing steadily – from 57 percent in 2008 to almost 80 percent in 2012.

ADDITIONAL FINDINGS

When five PSO indicators were compared with related indicators for smallholder farms, one indicator showed a strong correlation between PSO and smallholder performance. In areas where the PSO had

erosion management plans in place (PS-SR1.1), small farms tended to have them as well (CG-SR1.3). This and other linkages could be interesting to explore in future iterations of this analysis.

PROCESSORS

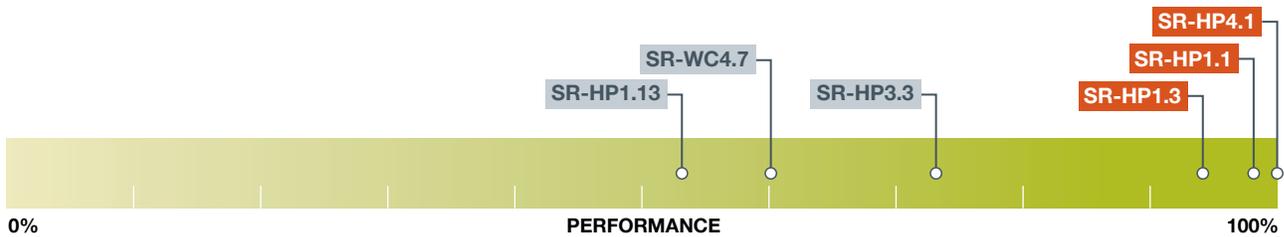
The C.A.F.E. Practices program assesses coffee processors against indicators in two subject areas: Social Responsibility and Environmental Responsibility. For Social Responsibility, the criteria assessed may vary based on the size of the mill, whether it is a small-scale on-farm mill or a larger-

scale, stand-alone mill. For Environmental Responsibility, the criteria assessed are based on the type of processing – wet milling, dry milling, and those using a combination of wet and dry milling. Performance in this report is analyzed against selected KPIs in each subject area.

// SOCIAL RESPONSIBILITY

Zero-Tolerance Indicator

2011 SCORES



2012 SCORES



KEY PERFORMANCE INDICATORS

- SR-HP1.1 Full-time workers paid nationally or regionally established minimum wage
- SR-HP1.3 Temporary/seasonal workers paid nationally or regionally established minimum wage
- SR-HP1.13 Temporary/seasonal workers paid more than nationally or regionally established minimum wage
- SR-HP3.3 Workers do not work more total hours than allowable under law
- SR-HP4.1 Processor does not employ children under the age of 14
- SR-WC4.7 Workers use protective equipment when handling agrochemicals and operating machinery

Overall, processor performance against Social Responsibility KPIs was fairly strong, particularly in 2012 when mills achieved nearly 100 percent compliance with all minimum labor standards. Of almost 6500 data points, there were only eight instances of non-compliance with zero-tolerance criteria in 2012.

While performance was not quite as strong in 2011, performance exceeded 94 percent and only one zero-tolerance indicator

declined in 2011 – minimum wage paid to temporary employees (SR-HP1.3).

In both years, performance for the three non-zero-tolerance KPIs – specifically indicators related to maximum working hours (SR-HP3.3), workers using protective equipment (SC-WC4.7) and temporary workers receiving more than minimum wage (SR-HP1.13) – lagged behind performance for zero-tolerance KPIs, particularly in 2011.

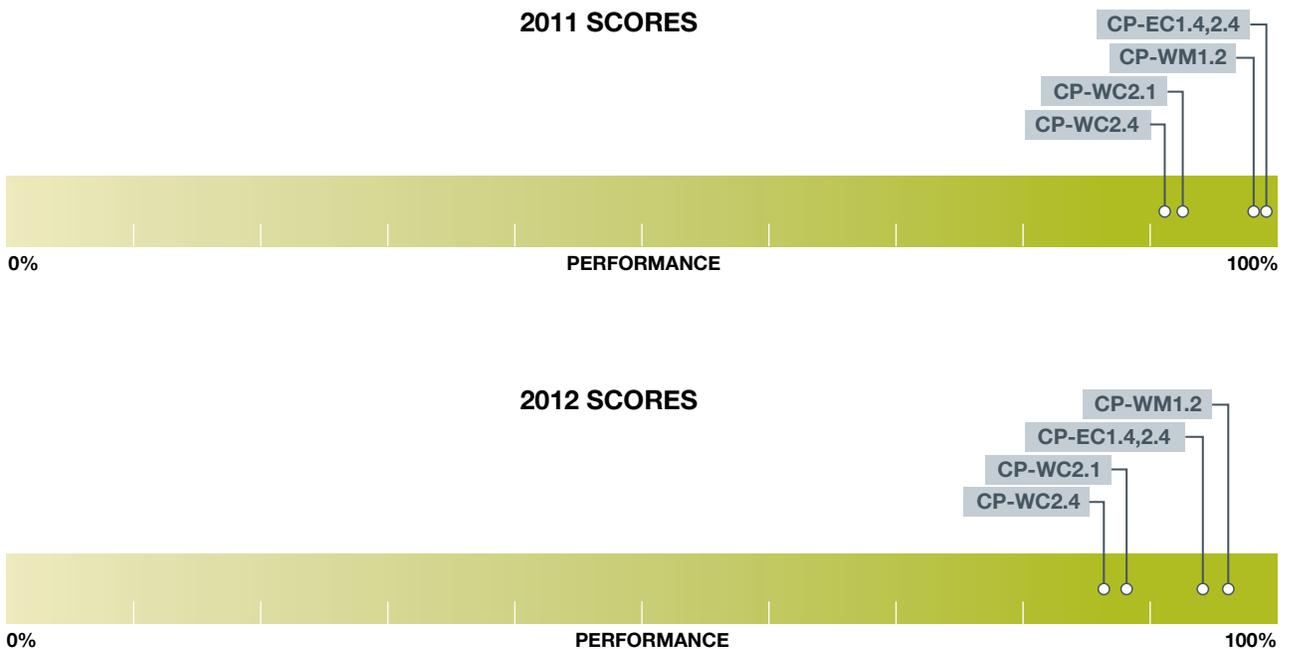
ADDITIONAL FINDINGS

In 2011 and 2012, a higher percentage of workers had access to potable water (SR-WC1.2) than in any previous year, reaching 95 percent and 97 percent, respectively. Additionally, indicators related to freedom of association and collective bargaining (SR-HP2) either remained high or showed

marked improvement across the criteria set.

On average, 76 percent of full-time employees received more than minimum wage in 2011 and 2012, holding steady with 2008-2010 rates.

// ENVIRONMENTAL RESPONSIBILITY



KEY PERFORMANCE INDICATORS

CP-WC2.1*	Wastewater from pulping and washing is managed
CP-WC2.4	Local water bodies show no evidence of contamination
CP-EC1.4, 2.4	Wood used for drying coffee is responsibly harvested and managed
CP-WM1.2*	Organic coffee waste (skin, pulp, unacceptable cherries) is composted

* Includes small farms with on-farm mill.

While mill performance against Social Responsibility KPIs dropped off in 2011 before rebounding to all-time highs in 2012, Environmental Responsibility performance followed an opposite trajectory, peaking across many of the KPIs in 2011 before declining slightly in 2012. In 2011, performance against each of the four KPIs exceeded 90 percent. KPI performance remained strong in 2012.

The most notable decline in KPI performance was related to the responsible harvesting of wood for wet and dry milling (CP-EC1.4 and CP-EC2.4, respectively). After steady performance at almost 100 percent from 2008 through 2011, mills fell to 94 percent in 2012.

ADDITIONAL FINDINGS

Since 2008, mill performance related to waste management (CP-WM1) has shown relatively consistent improvement. However, compliance rates for tracking and

minimizing water consumption remained low overall, averaging just 41 percent across the criteria set since 2008.

Conclusions

This assessment marks the fifth year and third report monitoring the results of Starbucks investment in the Coffee and Farmer Equity (C.A.F.E.) Practices program, a program designed to drive the adoption of economic, social and environmental best practices among coffee growers and processors. The scope of this report looks at Starbucks suppliers – the farms, mills and PSOs

– verified in fiscal years 2011 and 2012 and analyzes their performance against KPIs selected from 249 criteria guiding management, labor, coffee growing and coffee processing practices.

The two fiscal years assessed in this report varied significantly in participation and performance.

		2011	2012
Participation	Farms	115,235	70,000 ↓
	Mills	25,467	59,125
	Applications	65 ↓	329
	Countries	16	14
Employees	Full-time	32,714 †	20,458 ↓
	Temporary	359,750 ↓	537,494
Areas	Coffee hectares	460,406	265,634 ↓
	Conservation hectares	209,000 †	76,999 ↓
Global Performance	Average farm score	66 percent ↓	80 percent †
	Applications achieving two highest status levels	13 percent ↓	58 percent †

† – indicates highest level of any analysis year
 ↓ – indicates lowest level of any analysis year

FARMS

Overall, farms achieved the lowest subject area scores for both Social Responsibility and Environmental Responsibility in 2011 (70 percent and 62 percent, respectively) and the highest subject area scores in 2012 (81 percent and 77 percent, respectively) since analysis began in 2008.

Despite the overall lower scores in 2011, performance on zero-tolerance KPIs was generally higher in 2011 than 2012. Farms also performed well on indicators related to child labor, non-discrimination, forced labor and access to primary school.

SMALLHOLDER FARMS & PRODUCER SUPPORT ORGANIZATIONS (PSOS)

Smallholder farms continue to represent the vast majority of participants in C.A.F.E. Practices, making up more than 95 percent of the total farms verified every year since 2008. In relation to medium and large farms, small farms outperformed in three of four Environmental Responsibility KPIs, but lagged slightly behind in four of six Social Responsibility KPIs.

PSO performance in four zero-tolerance KPIs was 95 percent and above for all indicators, with the exception of the use of harmful pesticides in 2011, which fell to an all-time low of 75 percent. PSOs continue to improve performance related to written management plans, which has climbed steadily since 2008, reaching an all-time high of 79 percent in 2012.

MILLS

Overall, mill performance in Social Responsibility was strong, especially related to performance against zero-tolerance KPIs in 2012, when mills achieved almost 100 percent across the

board. Performance against Environmental Responsibility KPIs was actually higher for mills in 2011 than 2012 – the only case in this report of a downward trend at the subject area level from 2011 to 2012.

* * *

This assessment serves as an important tool for Starbucks as they seek to better understand the effectiveness of the C.A.F.E. Practices programs and its impacts on coffee farmers, communities and landscapes. While performance against zero-tolerance indicators and KPIs was strong in 2011 and 2012, the continued ability of the program to detect non-compliance with minimum wage, child labor, and other minimum labor standards highlights the strength of the verification process.

This report also provides an opportunity to identify potential areas for intervention and targeted support. The analysis also begins

to show interesting patterns between C.A.F.E. Practices performance and productivity, with the lowest yields coming from applications with non-compliant status and the highest yields coming from those with preferred status.

The launch of C.A.F.E. Practices version 3.0 demonstrates Starbucks ongoing commitment to the program. Through continued diligence in the strength of the standards and support in its implementation, Starbucks has the opportunity to continue to drive the adoption of better practices with the growers and processors in its supply chain.