



OVERVIEW OF STARBUCKS COCOA PRACTICES

What are the Cocoa Practices?

The Cocoa Practices guidelines define critical social, environmental, economic and quality aspects of growing, processing and selling the cocoa that goes into chocolate products sold to Starbucks. Modeled after Starbucks C.A.F.E. (Coffee and Farmer Equity) Practices for coffee production, the cocoa guidelines were developed with extensive consultation with environmental and labor organizations, cocoa industry and farming experts and independent verifiers. The Cocoa Practices were pilot tested for two years between 2007 and 2009 in cocoa producing countries with Starbucks suppliers. The results are very encouraging and show the positive impact that Cocoa Practices has had in the supply chain.

To become a Cocoa Practices supplier, cocoa farmers, processors and exporters must meet minimum requirements and demonstrate best practices, which are subject to independent verification under the guidelines. The Cocoa Practices program is designed to evaluate and recognize producers of high quality, sustainably grown cocoa.

The guidelines contain more than 200 specific indicators that fall under six focus areas: product quality, economic accountability (transparency), internal control systems, organizational stability, social responsibility, and environmental stewardship in cocoa growing and processing. The indicators are ranked in a progression of practices from a base of required performance to more progressive practices, designed for continuous improvement. While minimum performance levels are required, suppliers are encouraged to reach the highest level of performance possible and to demonstrate continuous improvement from year to year.

How are the Cocoa Practices different from C.A.F.E. Practices?

The majority of cocoa farmers globally are smallholders farming less than 10 hectares of land. The Cocoa Practices are designed to apply to smallholder supply chains organized into a supplier network. The Subject Areas of Social Responsibility and Environmental Stewardship are divided into 'Producer Organization' and 'Producers' to delineate between the two levels of management. There is no smallholder or producer association supplements as in C.A.F.E. Practices for coffee. However, the Cocoa Practices incorporate the two additional subject areas of Internal Control and Organizational Stability to reflect the importance of management systems and healthy, accountable organizations to smallholder supply chains.

Starbucks does not purchase cocoa beans in the same manner as coffee. There are numerous suppliers and manufacturing processes along the supply chain to Starbucks from the countries where the raw cocoa beans are grown. As in C.A.F.E. Practices, Starbucks will be relying on third party independent verifiers to inspect and evaluate the farmers, processors and exporters. Although the Starbucks Coffee

Agronomy Company (Farmer Support Center) in Costa Rica provides technical assistance to coffee farmers and is available to answer questions about compliance with C.A.F.E. Practices, Starbucks does not intend to have a similar center for cocoa at this time. Starbucks has contracted Scientific Certification Systems (SCS), a third party verification firm, to oversee the mechanics and quality control of the program. SCS performs similar functions for Starbucks C.A.F.E. Practices program.

How does Cocoa Practices work?

Cocoa Practices ensures that Starbucks sources sustainably grown and processed cocoa by evaluating the economic, social and environmental aspects of cocoa production against a defined set of criteria, as detailed in the Cocoa Practices Evaluation Guidelines.

Approved third-party verifiers will conduct the evaluation of Farmers, Producer Organizations and Suppliers against the Cocoa Practices Guidelines. These Farmers, Producer Organizations and Suppliers form the supply chain for cocoa production. Cocoa Practices requires that each component of this supply chain meet the minimum economic, social, and environmental requirements of the Cocoa Practices Guidelines.

The guidelines are structured to verify that produced cocoa meets environmental and social performance at each stage of the supply chain - from the tree to the point of shipment. Environmental and social issues are assessed at the farm and at buying centers operated by producer organizations and/or private suppliers. Economic accountability is required throughout the entire cocoa supply chain. The key issues of economic accountability are financial transparency (how much did participants in the cocoa supply chain get paid for their efforts) and equity of financial benefit (did participants in the cocoa supply chain receive an equitable proportion of the total payment enabling the participant to cover the cost of production and make a profit).

Who can apply to Cocoa Practices?

Starbucks is encouraging all of its suppliers of cocoa and chocolate products to implement the Cocoa Practices in their supply chains and to voluntarily obtain independent verification of their performance. Starbucks will require independent verification after 2009 for all suppliers of cocoa products. The verification infrastructure for Cocoa Practices including a list of approved verifiers is available from Starbucks upon request.

The Cocoa Practices guidelines were developed in partnership with another company, Theo Chocolate, based in Seattle. The two companies will continue to collaborate on identifying viable systems and organizations for independent verification of performance. Both companies welcome other industry partners who want to use the Cocoa Practices for their sourcing needs.

Where do I find more information?

Updates to the Cocoa Practices program will be posted at www.starbucks.com/cocoa and requests for information should be sent to cocoacsr@starbucks.com.