



Starbucks Disclosure in Compliance with California Transparency in Supply Chains Act of 2010 (SB 657)

Starbucks believes we have a responsibility to advocate policies that support not only the health of our business, but of our partners (employees) and the communities in which we do business.

The California Transparency in Supply Chains Act of 2010 (SB 657) (the “Act”) requires large retailers and manufacturers doing business in California to disclose their efforts to eradicate slavery and human trafficking from their direct supply chains for tangible goods offered for sale.

Starbucks has a long history of promoting [Ethical Sourcing](#) of its products, which are produced in countries all over the world, and has been publicly recognized on several occasions for its programs in this area. We have devoted considerable resources over the last several years to mapping our supply chain and developing and implementing appropriate ethical standards applicable to suppliers and those involved in the production, processing and manufacturing of the products we sell.

Our Ethical Sourcing programs consist of: [C.A.F.E. Practices](#) (Coffee and Farmer Equity Practices) concerning the sourcing of coffee; [Cocoa Practices](#) concerning the sourcing of cocoa; and our [Manufactured Goods and Services Standards](#) which govern our acquisition of manufactured products. Starbucks works with [SCS Global Services](#) an independent third party, which assists us in maintaining both the [C.A.F.E Practices](#) and [Cocoa Practices](#) indicators set forth in the scorecards and in retaining third party verifiers to evaluate supplier performance against these indicators. Third party verifiers are also used in the Manufactured Goods program.

Starbucks uses announced audits, rather than unannounced audits, to ensure that appropriate management personnel are present during the audit. This approach also provides an opportunity to offer best practices training to the appropriate personnel when non-compliance with Starbucks ethical sourcing standards are noted.

In compliance with the Act, Starbucks certifies that its Ethical Sourcing programs include zero tolerance provisions prohibiting the use of: forced, bonded, indentured or involuntary convict labor (in the case of C.A.F.E. Practices); involuntary, forced or

trafficked labor (in the case of Cocoa Practices); and slave labor, bonded labor, indentured labor or involuntary convict labor (in the case of Manufactured Goods). If it is determined that a supplier is operating outside of Starbucks policies, Starbucks or its third party representative and the supplier will develop and implement a corrective action plan including a mutually agreed upon schedule for resolution of all issues. Any failure thereafter to meet a corrective action plan commitment is considered a material breach of Starbucks agreement with the supplier and may result in cancellation of any current orders and/or termination of Starbucks contractual relationship with the supplier. Gross violations or illegal activities are cause for outright and immediate termination of the contractual and business relationship.

Starbucks employees (referred to as “partners”) who have responsibility for purchasing products sold in our stores receive training on our Ethical Sourcing programs described above. Recently, in an effort to improve training on these programs and the Act, Starbucks has worked with a third party to develop an online training program for supply chain partners and for use with Starbucks suppliers. The program, which is being piloted in March and April of 2013 before subsequent global rollout, is designed to educate these groups specifically about human trafficking and forced labor and about how they can help reduce the risk that such practices may occur in the Starbucks supply chain and, in the case of our suppliers, their supply chains.

Since the Act went into effect, Starbucks has asked many of its direct suppliers to provide certifications that the materials incorporated into the products they produce and sell to Starbucks comply with the laws regarding slavery and human trafficking in the country/ies in which the supplier is doing business. While many of our suppliers have been able to provide this certification, others are still in the process of surveying their supply chains and have not been able to provide definitive certifications. We plan to update our Supplier Handbook to specifically address the Act and incorporate a procedure for certification as envisioned in the Act. It is early to say how successful we will be in obtaining complete certifications.

Since the Act went into effect, Starbucks has continued to survey and evaluate its supply chain with regard to human trafficking and forced labor. While it is the goal of Starbucks to purchase all of the products it sells in accordance with its Ethical Sourcing programs described above, that goal has not yet been fully achieved. Starbucks calculates that for Fiscal Year (“FY”) 2012 approximately 90% of the coffee it bought was purchased under the C.A.F.E. Practices program, 83% of the cocoa used to make Starbucks mocha and related drinks in FY 2012 was purchased under the Cocoa Practices program, and 90% of manufactured products it sells in Starbucks stores were purchased under the Manufactured Goods ethical sourcing standards in FY 2012.

As part of our ongoing commitment to continuous improvement, we will be reviewing our programs and policies on an ongoing basis for possible additions or amendments where needed to address the specific topics described in the law.

We encourage you to learn more about Starbucks responsible business practices at www.starbucks.com/responsibility which discloses at length and in detail, our various Ethical Sourcing programs and policies. It is Starbucks intention to make its customers, as well as other interested consumers, aware of all that we do to ensure that, among other things, our supply chain is free of forced or trafficked labor.