

OCTOBER, 1995

Dear Friends,

At Starbucks, we have been engaged in a six-month process to develop a "framework for a code of conduct." This is a first step which builds on our aspirations to improve the quality of life in coffee-producing countries. We will modify this document in the future as we gain experience. Our framework is consistent with and builds on our existing mission, guiding principles, and environmental mission statement.

Our past efforts to act on our beliefs have been considerable. We have been and are the largest corporate sponsor of CARE. We have donated money, goods and services to the extent that we rank among the top corporations in the country for percentage of profit returned to the communities and countries with which we do business. Still, we see a world in which our efforts could improve the lives of people in coffee-origin countries. We want to do what we can to help and we will do our part to make a real difference.

Since February of this year we have explored our own values and beliefs, examined our past efforts, and invented options for future action. We have done a lot of soul searching to come to an understanding of how we can live up to our sense of responsibility to make a difference in the world. In addition to our partners at Starbucks, we invited other people with special knowledge and interest to join us, give input, and review our framework.

Developing this framework is pioneering action. We are among the first to attempt to influence the quality of life for those involved in coffee production through the development of a written "framework for a code of conduct." If we are successful, this will mean improvement in conditions for workers in coffee-origin countries.

There are many realities in the world of coffee, which we must factor into our efforts. Progress on some long-term goals will require years of consistent effort for results to appear. We are still doing research to allow us to measure our progress. We expect to make some mistakes. But with steady perseverance...we intend to make a difference.

Our "framework" is a first step...the first step in a long journey. Our work plan, goals and objectives, coffee mission and beliefs are enclosed. We hope our actions will encourage others to do their part.

Sincerely,



Dave Olsen  
senior vice president, coffee

## STATEMENT OF BELIEFS

At Starbucks, we're guided by a set of simple beliefs. We start by treating each other with respect and dignity and extend this desire for fair treatment beyond our doors into our communities. As we travel the world in search of the highest quality coffee, it is our desire to do business with those who share similar values and abide by international standards for the treatment of others.

Seeing profound differences in quality of life, we've committed to doing our part to improve conditions in coffee origin countries through self-help and educational programs. Making a real difference, however, is a long-term challenge requiring the efforts of many. We will work with others in coffee-origin countries to achieve our aspirations and do our part to engage in effective action within the specialty coffee industry. We also believe that selecting and marketing high value coffee *in itself* can contribute to the economies of coffee-producing countries so that countries may improve their own quality of life.

**Though our beliefs cannot be imposed upon others and these desired results may not be achieved in the near future, they form the basis of our intentions and are the foundation for our goals.**

### WE RESPECT HUMAN RIGHTS AND DIGNITY.

We believe that people should work because they want or need to, but not because they are forced to do so.

We believe that people have the right to freely associate with whichever organizations or individuals they choose.

We believe that children should not be unlawfully employed as laborers.

**WE ARE DEDICATED TO WORKING WITH OTHERS TO RAISE STANDARDS OF HEALTH, EDUCATION, WORKPLACE SAFETY, AND ECONOMIC WELL-BEING IN ALL COMMUNITIES WHERE WE DO BUSINESS.**

We believe that wage and benefit levels should address the basic needs of workers and their families.

We believe that people should work in safe and healthy places that are free from hazardous conditions.

We believe that if children work, it should not interfere with mandated education.

We believe people should have access to safe housing, clean water, and health facilities and services.

### WE BELIEVE IN THE POSITIVE VALUE OF DIVERSITY AND RESPECT THE INTEGRITY OF DIFFERENT CULTURES.

We believe that we should serve as a model of a successful company that promotes diversity throughout all levels.

We believe that regardless of our differences, each human being should be accorded the opportunity to meet his/her basic needs and that human rights and values should be upheld and promoted.

We believe that we should respect local laws and customs.

### WE BELIEVE IN PRESERVING AND ENHANCING THE PHYSICAL ENVIRONMENT.

We believe in the importance of progressive environmental practices and conservation efforts.

We believe in demonstrating leadership for environmental practices in countries in which we do business.

We believe that hazardous materials such as chemicals and pesticides should be used safely and responsibly, if at all.

## OUR COFFEE MISSION

*At Starbucks, we are committed to being the premier purveyor of the finest coffee in the world as the leader of the specialty coffee industry.*

We will continue to demonstrate leadership by setting high standards to which we will hold ourselves and will encourage the adoption of these by others in the coffee industry.

We recognize that improving conditions internationally requires the efforts of many, and we will do our part in concert with others.

### WE EXPECT TO DEMONSTRATE OUR LEADERSHIP IN THE COFFEE INDUSTRY IN THREE AREAS:

- 1) **Coffee Quality**—Encouraging coffee producing practices that produce the highest quality coffee
- 2) **Quality of Work life**—Improving quality of work life for those who produce, harvest, and process coffee
- 3) **Environmental Quality**—Promoting sound environmental practices for producing and processing coffee

We will actively work with our partners, vendors, importers, and distributors of coffee, other coffee companies, and nonprofit organizations to improve the quality of life for those employed in growing, harvesting and processing coffee

### GUIDELINES FOR COFFEE SELECTION

It is our goal to purchase our coffee from those who conduct their business in a manner that reflects an understanding and appreciation of our mission, values, and principles, and in each of the following specific dimensions:

#### COFFEE QUALITY

We will only purchase coffee that meets our high standards for quality and taste

#### QUALITY OF WORK ENVIRONMENTS

It is our goal to purchase coffee from people who share our commitment for treating employees with respect and dignity.

#### COMMUNITIES IN WHICH WE DO BUSINESS

It is our goal to purchase coffee from people who demonstrate a commitment to improving the communities and environments in which they do business.

#### ENVIRONMENT

We will work to purchase coffee that is grown in a manner that reflects our environmental mission

#### PROFITABILITY

We will purchase coffee that maintains a price/value relationship which enhances our competitiveness in the world market

Starbucks will implement its coffee mission through an annual work plan that spells out specific actions to be taken. We will continue efforts with selected non-profit and international development organizations to implement programs that improve the lives of citizens who live where we do business.

## LONG-TERM GOALS

*At Starbucks, we are committed to doing our part to improve the lives of citizens of coffee-origin countries. Some areas for improvement include work conditions, health and safety, appropriate compensation, and environmental health. Each year, we will develop a plan of action that enables us to implement our coffee mission.*

- Utilize our position as the leader of the specialty coffee industry to communicate our coffee mission broadly to gain additional support for our mission, beliefs and values
- Identify key points of influence to achieve progress toward our coffee mission
- Develop specific strategies that will address key elements of our coffee mission
- Sponsor and/or participate in studies to seek or develop sound factual information on conditions in coffee-origin countries. Establish a baseline of information that will allow tracking of progress. Use this information to identify priority strategies, projects, and action
- Explore areas of common interest with producer organizations to identify potential projects, joint plans of action, and set goals
- Communicate our coffee mission within Starbucks to educate our partners (employees) and customers and solicit their help to improve conditions in origin countries
- Provide recognition to those who support and share our coffee mission and who work to improve conditions in origin countries
- Continue to support our relationships with key international development organizations who are improving conditions in coffee-origin countries. We will do our part in concert with many who are working to achieve common interests

## ACTION PLAN FOR FISCAL YEAR 1996

### SPECIFIC OBJECTIVES

Specifically, Starbucks Will:

- Educate all current and prospective suppliers of coffee about our coffee mission
- Utilize the senior vice president of coffee in his role to communicate our mission and guidelines broadly to our industry
- Inform our stockholders, partners, and customers of our progress to achieve our coffee mission
- Provide staff time to implement our coffee mission
- Build on our partnership with CARE, sponsoring international development programs in Ethiopia, Guatemala, Indonesia, and Kenya to directly address conditions in those countries
- Conduct in-country visits in certain selected origin countries (at least Guatemala, Indonesia, Ethiopia, and Kenya) to identify barriers to progress, communicate Starbucks coffee mission, and to identify and select specific opportunities for action
- Develop a strategic plan for implementation of the coffee mission for each selected origin country
- Conduct an annual review of our coffee mission, work plan goals and objectives, and design a methodology to determine progress toward achievement as well as areas for improvement. Develop an appropriate action plan

**INTERNATIONAL PROGRAMS**

*In addition to the above efforts, we are committed to building on our years of commitment to international development programs. We will support the following programs in fiscal year 1996:*

**GUATEMALA**

**Project Title: Focus on Guatemala**

**Goal: Develop a basis for action in support of the Coffee Mission**

**Specific objectives for this year:**

We will focus on Guatemala in a manner that demonstrates a special commitment to innovative ways of implementing our coffee mission. We will provide staff time and resources to research coffee worker conditions in Guatemala. We will enter discussions with Anacafe (the Guatemalan coffee producer organization) regarding development of industry standards, and communicate with other specialty coffee companies to identify actions to improve the lives of coffee workers. We will explore specifically how Starbucks may utilize its influence to implement its coffee mission. What we learn in this project year will form the basis for specific action plans in 1997.

**Project Title: Rural Water and Health Project**

**Goal: Improved health and availability of fresh, drinkable water.**

**Specific objectives for this year:**

We have been an ongoing supporter (1994 and 1995) of a rural water and sanitation services program (PRODESA) that is focused on improving the health conditions of 55,000 rural inhabitants living in Quiche, Huehuetenango, Chimaltenango and San Marcos. Classes are given, and lesson plans on how to safeguard family health are translated into many indigenous Guatemalan languages. Over 90 Guatemalan communities now have safe water and sanitation systems, along with the training to maintain them due to CARE and Starbucks project efforts. We will continue our support of these programs to improve health and water systems for Guatemalans.

**INDONESIA**

**Project Title: Biodiversity Conservation in National Parks**

**Goal: Improve land-use management, promote national park and biodiversity conservation and increase income for communities adjacent to Lore Lindu National Park.**

**Specific objectives for this year:**

This new project, a partnership of Starbucks, The Nature Conservancy, and CARE, will promote sustainable agricultural environments and improve community awareness, micro-enterprise development, and park management. It addresses a critical situation where environmental degradation around the national park is adversely affecting the ability of poor farm families to grow enough food to survive. The project will reduce pressures on forest encroachment by working with farmers to improve land use management on their own lands, develop profitable farm crops such as coffee and food crops, and assist them to establish income-generating activities to supplement farm income, such as beekeeping, butterfly farming, and ecotourism.

**SULAWESI  
OR OTHER COFFEE ORIGIN AREA**

**Project Title: Shoes for Education**

**Goal: Provide shoes for children who are required to have shoes in order to go to school so that they will receive an education.**

**Specific objectives for this year:**

In 1995 fiscal year, over 3400 pairs of shoes were provided to children in Sulawesi, which has enabled them to attend school and get an education. There were 9400 books (including 26 full sets of encyclopedias) shipped. Starbucks partners initiated this program with support for shipping and other resources such as the shelving, paid for by the company. One-half of the books went to Sulawesi schools, and the other half went to the Tongkokoan Book Depository, making it the second largest collection in Sulawesi. A decision about which country/region this project will be implemented in this year is pending.

**KENYA**

**Project Title: Pied Crow Education and Magazine**

**Goal: Improved health, agriculture, employment, family planning, environmental education for children aged 12-15.**

**Specific objectives for this year:**

The Pied Crow Education project produces the *Pied Crow Magazine*. We have been an ongoing sponsor of this program in partnership with CARE since 1991. This magazine, named after the black and white crow with a reputation for resourcefulness is part of the primary school curriculum and aims to increase children's knowledge in such vital areas as agriculture, self-employment, health, family planning and environmental protection. Six issues of the comic book style magazine and one issue of the teacher's kit are produced a year and distributed to each of Kenya's over 14,000 primary school which educates a target population of almost two million pupils and 200,000 teachers.

**ETHIOPIA**

**Project Title: Zege Rural Economic Development—A Model of Environmentally Sustainable Development with Coffee as a Source of Income**

**Goal: Revitalization of coffee production in coffee's birthplace**

**Specific objectives for this year:**

Our commitment to this project provides sustainable income-generating opportunities to 10,000 inhabitants in the Zege Peninsula of Lake Tana in northwestern Ethiopia, close to the birthplace of coffee. Coffee production was wiped out by bad weather and the land was left in disrepair. Now, after years without coffee, this program introduces diversified agricultural techniques such as reduced tree-cutting and increased coffee production. Other aspects of the project include family planning, AIDS education, and the creation of community revolving funds.

## DID YOU KNOW THAT

Starbucks is among the first to attempt to improve coffee worker conditions through a "framework for a code of conduct." Thus, we are engaged in a learning process which will require experimentation and time for results to appear. We are committed to achieving results which improve conditions for those in coffee-origin countries. Here are some facts which may be of interest to you.

- There are hundreds of thousands of coffee workers in over 20 origin countries worldwide. Many current conditions for workers have existed for a long time and are difficult to solve.
- Coffee comes from many origin countries and each country's coffee industry has a unique structure. For example, in Guatemala alone there are over 33,000 farms, 27,000 of which are classified as very small family-operated farms. Starbucks doesn't own or control any of these farms.
- Most coffee companies don't contract directly with farms to produce the coffee they purchase, and don't have contracts with those farmers which could help them to influence conditions on farms.
- Exporters who supply coffee are generally several steps removed from farms. Small farms often produce their coffee, sell it to others who mix it with others' coffee and send it to producers, who again mix it with others, who then sell to distributors, and so forth.
- Coffee is the second most heavily traded commodity after oil. Dramatic swings in the market affect everyone involved, from farmers to those of us at Starbucks.
- Starbucks coffee purchases represent less than 1/2 of a percent of the world's coffee market. Although the company is highly visible, our leverage or influence in that market is yet to be understood.

Despite these realities, we are committed to doing our part. We will evaluate our efforts annually and determine whether our current "framework" will produce the results expected of a code of conduct.



STARBUCKS COFFEE COMPANY • © 1995 ALL RIGHTS RESERVED

## STARBUCKS COFFEE COMPANY



### MISSION STATEMENT AND GUIDING PRINCIPLES

To establish Starbucks as the premier purveyor of the finest coffee in the world while maintaining our uncompromising principles as we grow.

The following six guiding principles will help us measure the appropriateness of our decisions:

- Provide a great work environment and treat each other with respect and dignity.
- Embrace diversity as essential to the way we do business.
- Apply the highest standards of excellence to the purchasing, roasting, and fresh delivery of our coffee.
- Develop enthusiastically satisfied customers all of the time.
- Contribute positively to our communities and our environment.
- Recognize that profitability is essential to our future success.

### ENVIRONMENTAL MISSION STATEMENT

*Starbucks is committed to a role of environmental leadership in all facets of our business.*



#### WE WILL FULFILL THIS MISSION BY A COMMITMENT TO:

- Understanding of environmental issues and sharing information with our partners.
- Developing innovative and flexible solutions to bring about change.
- Striving to buy, sell and use environmentally friendly products.
- Instilling environmental responsibility as a corporate value.
- Measuring and monitoring our progress for each project.
- Encouraging all partners to share in our mission.