

# Investor Relations Spotlight Series: Our Farmer Promise

March 2025

---

## Corporate Participants

**Tiffany Willis**

*svp, Investor Relations*

**Roberto Alonso Vega Alfaro**

*vp, Global Coffee Agronomy, R&D and Sustainability*

---

Hello everyone, and thank you for tuning in. I'm Tiffany Willis, and I serve as senior vice president of Investor Relations here at Starbucks. As we strive to enhance our communication with shareholders, we're excited to bring our second Spotlight in our series.

Our Spotlights are intended to focus on topics that are of most interest to you – our shareholders. Our inaugural Spotlight highlighted the secret sauce of our business, our partners. If you haven't had the opportunity to watch, we encourage you to check it out on the Investor Relations website. Now, with our updated mission statement, "*To be the premier purveyor of the finest coffee in the world, inspiring and nurturing the human spirit – one person, one cup and one neighborhood at a time*" it's the perfect timing to take a deep dive into the key elements of Starbucks, coffee and our farmer promise.

Before we get started, I would like to take a moment and acknowledge our forward-looking statements.

This Spotlight will include forward-looking statements which are subject to various risks and This Spotlight will include forward-looking statements which are subject to various risks and uncertainties that could cause our actual results to differ materially from these statements. Any such statements should be considered in conjunction with cautionary statements in our earnings release and risk factors discussed in our filings with the SEC, including our latest annual report on Form 10-K and quarterly report on Form 10-Q. Starbucks assumes no obligation to update any of these forward-looking statements or information.

Now, to help us dive deep into our Farmer Promise, focusing on coffee farmers today, I am happy to welcome Roberto Vega, vp of Global Coffee Agronomy, Research and Development and Sustainability based of Switzerland. Roberto's long title reflects the wide scope of his team's critical work around ensuring the future of coffee for all. Roberto drives innovation in R&D and supports sustainable practices throughout the company supply chain. Roberto and his team lead initiatives that enhance farmer productivity and profitability while building resilience against the challenges posed by a rapidly changing climate.

Roberto, welcome....so first, I have to ask, what is your go-to Starbucks drink?

Tiffany, thank you for having me here today. As a good Costa Rican, I think coffee all day, you can imagine how much. In the morning, you will always find me with a double macchiato. And for the rest of the day, you will always find me with a double espresso in-hand.

**Q: Roberto, I am excited to talk to you today about our Farmer Promise. Responsible sourcing from farmers is an important topic to our investors, customers and partners. Starbucks coffee has been ethically sourced using C.A.F.E. Practices since 2004—which has been around almost as long as our infamous P.S.L. And like our latte offerings, we continue to evolve the program. I understand C.A.F.E. Practices were updated at the beginning of our Fiscal Year. Can you give some insight into what brought about these changes and more detail on them?**

I want to start by providing a very high-level overview of C.A.F.E. Practices to level set before we discuss the recent updates. As you mentioned, we responsibly source and verify our coffee using C.A.F.E. Practices.

To become part of our coffee supply chain, suppliers must first submit a formal application to Starbucks detailing their entire coffee supply chain and committing to implement C.A.F.E. Practices guidelines. This helps with our ability to understand our second and third-tier suppliers. Third party organizations, approved and overseen by SCS Global Services who is a leader in sustainability standards and third-party certifications, conduct inspections at farm milling facilities and warehouses within the supply chain to evaluate performance against indicators. Detailed verification reports are submitted to Starbucks to assign the C.A.F.E. Practice status.

This is a continuous program and once approved, suppliers are responsible for upholding C.A.F.E. Practices. To maintain an active status in the program, each supply chain is required to undergo reverification regularly to keep the verification.

As part of our commitment to continuous improvement, we have spent over two years revising the C.A.F.E. Practices program in Q1 of this fiscal year with the new requirements in effect for all verifications as of July 2025. This process included gathering input from key stakeholders, field-testing aspects of the program within various coffee growing regions, evaluating industry best practices and taking a strategic look at the risks to our supply chain. The resulting modifications to the program aim to provide clarity on expectations, promote continuous improvement and strengthen the program's approach to responsible sourcing while helping to mitigate risk for Starbucks and bringing value to our farmers.

We further aligned program indicators with our current supply chain risk profile, which involved removing some indicators and adding in others. While the overall number of indicators decreased, the updated program will require compliance with all indicators which fall into three buckets: zero-tolerance, major and minor.

Additionally, new zero-tolerance indicators were added to existing topics such as forced labor or where we extended the definition to include topics such as worker housing.

We are also aligning the standard with international regulations – for example, adopting the definition for deforestation used in the new European Deforestation Regulation.

**Q: There is a common adage, trust but verify. How does Starbucks verify compliance with C.A.F.E. Practices?**

This is a key concept for how Starbucks approaches supply chain due diligence. When it comes to coffee farms themselves, we have independent third-party organizations conduct inspections at farm milling facilities and warehouses within the supply chain to evaluate performance against indicators within the C.A.F.E. Practices scorecard, which includes for example, a zero-tolerance indicator for deforestation amongst others. Detailed verification reports are submitted to Starbucks to assign the C.A.F.E. Practice status. Entities that cannot meet the zero-tolerance indicators must complete a zero-tolerance corrective action plan in order to be approved in the program. This process applies to a variety of indicators spanning the breadth of human rights and environmental sustainability requirements. The exciting shift with C.A.F.E. Practices 4.0 is that we will, over time, also require compliance with major and minor indicators, which is to say we will shift the baseline from which we are measuring. Over time, we believe this should permanently shift farms to a higher level of compliance, instead of being stuck on zero tolerance indicators year after year. Our goal is to source and verify 100% of Starbucks coffee through C.A.F.E. Practices. In FY24, we achieved 99.7% as verified through C.A.F.E. Practices.

**Q: How are we thinking about traceability and verification more broadly, in particular when it comes to upcoming EU regulations such as the EU Deforestation Regulation.**

When it comes to new regulation on traceability and sourcing, this is something we have been preparing for and have integrated into the updates we've made for C.A.F.E. Practices and will continue to incorporate as the regulations evolve.

For example, Starbucks completed an audit of all the products we purchase to identify which of these could be subject to the EUDR requirements. We are working with internal stakeholders and external consultants to prepare an updated compliance system for EUDR requirements. Steps taken include putting in place a governance system and developing due diligence policies and processes which will be followed when the requirements go live in December this year (2025). This will ensure that we can continue to import into/export from the EU once the requirements start.

As part of the update to C.A.F.E Practices, all suppliers will be required to undergo a deforestation assessment which will be conducted by partnering with a third-party to use high quality satellite imagery. Having this baseline imagery will help us to identify instances of potential deforestation in the future and provide another mechanism for Starbucks to reduce our risk. We are also working with a third party to carry out detailed gap assessments for legality criteria in European Deforestation Regulation and issue corrective action plans to suppliers.

**That's a really helpful explanation and I know coffee prices are top of mind for our investors. Starbucks pays premiums above commercial market price driven from our coffee being verified as ethically sourced by C.A.F.E. Practice standards and premium quality. As much as possible, we finalize coffee purchasing contracts years in advance, which reduces volatility for everyone and helps foster long-term relationships with farmers and suppliers. We don't have a one-size-fits-all pricing structure, but we tend buy coffee through "long-term price fixed" and "price-to-be-fixed" models, to secure an adequate supply of quality green coffee. Our cost of coffee is typically limited to about 10–15% of our Products and Distribution Costs.**

**Q: You touched on this previously in the beginning of our conversation, a key component Starbucks' approach to sourcing responsible, ethical, high-quality coffee is our commitment to human rights. In late 2024, Starbucks made a Trenta-sized change to our Supplier Code of Conduct. What prompted these changes and what are few of the key changes that were enacted?**

Starbucks has always pursued ambitious goals and programs, and we've reported on our progress and opportunities with intention, transparency and accountability. As part of the

commitment, we commissioned and published an independent Human Rights Impact Assessment executed by Article One in December of 2023.

One of the recommendations was to review and update all relevant human rights policies and standards, including ethical sourcing standards and codes of conduct. We knew we needed to modernize the Supplier Code of Conduct and better reflect our mission, core values, and responsible sourcing requirements and expectations of suppliers consistent with our existing program standards.

In December of 2024, we published our updated and expanded Supplier Code of Conduct which applies to Starbucks managed direct and indirect suppliers for goods and services. The Supplier Code of Conduct has new sections on Business Integrity and Ethical Conduct, Labor and Human Rights, and Environmental Stewardship, as well as an Appendix for referenced policies and guidance, and definitions for terms and expectations to ensure clarity across our global supply chain.

Our updated Code also requires suppliers establish management systems to continually monitor their due diligence processes related to this Supplier Code of Conduct, including a process to identify the legal compliance, environmental, health and safety, and labor and human rights risks of their operations. This helps us ensure our products are meeting our responsible sourcing standard, helps us ensure compliance with current and upcoming regulations and better understand our supply chain risks.

**Q: We've spoken about the governance around our coffee sourcing, and how we apply that to our Suppliers to ensure our coffee is ethically sourced. I want to pivot slightly to talk about the coffee bean and tree itself. 2024 saw a lot of headlines on green coffee prices increasing due to reduced supply because of extreme weather events. Coffee is vital for Starbucks Coffee Company and the ability to source high-quality coffee at reasonable prices is a topic our investors pay close attention to. What is Starbucks currently doing to help bolster our risk resiliency by ensuring the future of coffee for all?**

We know that resilient farms are the key to consistent high-quality coffee and we are committed to helping our farmers be the most productive farm they can be through sustainable agricultural practices.

As you know, Starbucks operates ten Farmer Support Centers in coffee producing countries around the world. These 10 Farmer Support Centers, support more than 20 countries, so for example our center in Guatemala also supports farmers in Honduras and El Salvador, while our team in Sumatra, Indonesia is also supporting farmers in other Southeast Asian countries. Our agronomists work with farmers to learn and implement the latest findings and best practices in agronomy, quality and social responsibility.

Through the Farmer Support Centers, farmers gain access to updated water conservation methods, new varieties of disease-resistant coffee trees and advanced soil management techniques, including promotion of coffee shade canopy.

Working one-on-one with farmers in the field, supporting co-ops and suppliers, Starbucks agronomists build upon traditional growing methods to help the next generation of farmers improve the quality, productivity and profitability of their crops while supporting the implementation of C.A.F.E. Practices across Starbucks coffee supply chain globally; helping Starbucks ensure a resilient coffee supply chain.

Starbucks is continually assessing our supply chain and the impacts of extreme weather, whether making coffee more challenging to grow or reducing potential land suitable to grow coffee. Starbucks is focused on three strategies to support our coffee farmers and ensure the future of coffee for all:

1. Unlocking farmer productivity; it's not just making sure that our farmers are producing more but that they are producing quality coffee.
  - a) This will enable us to secure high-quality arabica coffee while accelerating a coffee-focused beverage pipeline across global retail and channel.
  - b) This may sound simple, but many of our small farm holders (which makes up the majority of our suppliers) have large capacity that they can unlock. And this doesn't mean land expansion, it means getting more coffee bags out of the land that they are currently on by implementing programs that focus on soil quality and smarter fertilizer utilization among others.
  - c) We've seen this demonstrated in real life through our C.A.F.E. Practices farms which are on average, over 25% more productive than average country productivity because C.A.F.E. Practices encourages sustainable agriculture practices.
2. Improve farmer profitability.
  - a) Across our supply chain to increase farmer incomes for example through diversification of income sources and demonstrate the viability of agriculture as a sustainable livelihood for the next generation. We need farmers to grow and cultivate coffee and not leave the industry for other types of work.
3. Climate resiliency in our supply chain
  - a) This is driving climate adaptation and durability on farms and advancing a healthy coffee sector for all.
  - b) As you mentioned Tiffany, extreme weather impacts such as higher than average temperatures are impacting the availability and cost of coffee. As we look to make our supply chain more resilient, enabling our farmers to adapt to the changing climate is a key aspect of ensuring access to high quality coffee beans that make Starbucks, Starbucks.

- c) We are helping to guide farmers with using biological, rather than chemical, solutions for soil amendment for example or helping them to use less water when growing coffee through our coffee tree varieties.

All three of these strategies reinforce and support each other, helping to safeguard our customer expectations for a premium coffee product and ensuring the future of coffee for all.

## Conclusion:

Roberto, you gave us some great insights and reminders, starting with:

- We remain focused on ensuring the future of coffee for all, through our pursuit of open-source agronomy innovation and sustainable coffee farms.
- Secondly, Starbucks continues to evolve and enhance its programs to ethically and responsibly source coffee.
- And finally, unlocking farmer productivity enhances Starbucks supply chain resiliency.

So thank you for your time and sharing your expertise on such a core topic – coffee. And to those listening – thank you for joining, and please check back on the IR website for our next Spotlight, as we plan to publish these on a semi-annual basis and provide insights on a different yet also sought-after topic. We truly value hearing from our shareholders; please reach out [investorrelations@starbucks.com](mailto:investorrelations@starbucks.com) with any additional questions or feedback you may have.