



Verifier and Inspector Guidance Update

Dear Verifiers and Inspectors,

This document is intended to supplement the "C.A.F.E. Practices Verifier and Inspector Operations Manual." This guidance update is divided into three sections: Program Document Updates, Verification Procedures and Methodology, and Indicator Interpretation.

Update Number 7.0-08/2013

1.0 Program Document Updates:

1.1 VRS User Manual 2.0

The VRS User Manual 2.0 has been updated to include changes in the VRS that reflect the Generic and Smallholder Scorecards V3.1 as well as the Verifier and Inspector Operations Manual V5.1. Updates to the VRS User Manual include: guidance on sampling tool methodology, the use of the auto-fill tool, volume reporting and conversions, and new information fields that verifiers have access to in the VRS (e.g., client approval status and validity terms).

SCS will be sending the updated VRS User Manual to verifiers by August 30th, 2013.

2.0 Verification Procedures and Methodology:

2.1 Zero Tolerance Corrective Action Request (ZT-CAR)

Starbucks has introduced a new procedure for supply chains that receive evaluations of Not Comply for zero tolerance indicators (ZT-NC). Suppliers will now have the option to implement corrective action plans that address the practices around the zero tolerance indicator(s) in order to achieve validity in the program. After their application is submitted to Starbucks, suppliers will receive a letter with a Zero Tolerance Corrective Action Request (ZT-CAR) from Starbucks. Suppliers will then have (i) 30 days from receipt of the letter to submit a corrective action plan to Starbucks, and (ii) 3 months from the submission of the corrective action plan to undergo a desk or field verification by their contracted verification organization in order to confirm successful implementation of the plan.

After the supplier (client) has submitted the corrective action plan to Starbucks and the plan has been approved by Starbucks, verifiers will have access to the corrective action plan in the VRS. It will be the responsibility of the supplier to contact their contracted verification organization to inform them of the need to conduct a verification of the corrective action plan.

The verification of implementation of the corrective actions can occur according to two main scenarios:

1. **Desk verification:** The verification organization will review documentation requested from the client at the office of the verification organization. **Desk verifications will only be accepted for applications that have been (i) verified off harvest and (ii) are eligible for 'Verified' or 'Preferred' supplier status for 1 year. Applications that were verified off-harvest but are eligible for 'Strategic' supplier status will require an on-site verification.**

2. **Onsite verification:** The verification organization will conduct an inspection at either the office or field locations of the supplier, as determined by the corrective action. **Onsite verifications are required for applications that have been verified in harvest (Verified, Preferred, Strategic) or out of harvest (Strategic) and are eligible for a validity period of two or more years.**

Verification organizations that have been contacted to conduct verifications in the ZT-CAR program should contact SCS as soon as they have communicated with the client in order to confirm whether a desk or onsite verification is adequate based on the circumstances.

During the desk or onsite verifications, the contracted verification organization must review the following criteria in order to confirm that the corrective action plan has been fully implemented:

- Implementation of the corrective action plan, as approved by Starbucks.
- PSO training on the zero tolerance for entities included in the supply chain (smallholder networks only).
- Correction of the zero tolerance indicator at the entities that received evaluations of Not Comply.

Inspectors will complete a ZT CAR report template using a html link from the VRS. Verifiers will be expected to conduct an internal review of the information before submitting the results of the verification to Starbucks in the VRS.

Upon reviewing the results from the desk or field verification, Starbucks will determine final approval status and validity for the application (Verified, Preferred, or Strategic).

Verifiers should contact SCS directly with any questions regarding the responsibilities of verification organizations for the ZT-CAR procedure.

2.2 Requesting an Extension for Client Report Submission

There may be extenuating circumstances that warrant a request for additional time to complete and submit the client reports, such as delays encountered due to supply chain discrepancies, technical difficulties in the VRS, appeals and disputes processes, or implementation of VRS Review audit reports. For a client report due date extension request to be considered, it must be submitted to SCS at least **5 business days** prior to the client report due date, and include sufficient explanation to justify the extension. It should be noted that a high work volume (e.g., multiple C.A.F.E. Practices verifications conducted by verification organization) does not constitute sufficient justification to grant an extension request. Extensions will typically be granted for a maximum of **5 business days**, unless otherwise determined by SCS.

2.3 GPS Readings and Required Formats

As per C.A.F.E. Practices Verifier and Inspector Operations Manual V5.1, Section 6.6.1, GPS readings in the C.A.F.E. Practices program should be written in degrees, minutes, and seconds (DDD° MM' SS"). In some cases, readings in the VRS have been observed in degrees and decimal minutes (DDD° MM.MMM'). Any GPS reading taken in the degrees and decimal minutes format should be

converted before the number is entered in the VRS. The simplest way for converting the GPS formats is to multiply the decimal portion of the decimal minutes by 60. For example, if a GPS reading is 6° 14.535', the converted format would be 6° 14' 32" (0.535 x 60 = 32). Inspectors can avoid this conversion by setting their GPS device to report locations in the degrees, minutes, and seconds (DDD° MM' SS") format. One method for checking that the GPS device is outputting the correct reading is to ensure that the seconds value is never above the number 60.

Inspectors and verifiers should also confirm that North/South and East/West classifications are correctly entered using the appropriate checkboxes in the entity coversheet.

2.4 Required Documents

SCS and Starbucks have developed a supplemental guidance document highlighting which indicators require documentation for their evaluation. This guidance supplement is provided to verifiers concurrently with VGU 7, and should be considered effective immediately. In some cases, an indicator will always require documentation for evaluation. For these indicators, if no documentation is available at the time of the inspection then the indicator is evaluated as Not Comply.

Verifiers should ensure that clients receive a requested document list prior to any onsite verification activities, as per section 6.3 of the C.A.F.E. Practices Verifier and Inspector Operations Manual. The list of requested documents should be reviewed with the client during the opening meeting and again during the closing meeting to confirm the absence of any documents that were not available during the inspection.

2.5 Worker Interview Sample

Inspectors should ensure that they interview 15% of the total number of workers for each entity visited during a C.A.F.E. Practices verification. The sample should be calculated as 15% of the total number of workers during peak harvest period and NOT the total number of workers present on the day of the inspection. In accordance with section 6.7.1 of the Verifier and Inspector Operations Manual, the minimum requirement for the worker interview sample is 3 and the maximum is 25. When 15% of the total number of workers is less than 3, inspectors should increase the sample size to 3 workers in order to meet the minimum requirement. When 15% of the total number of workers is more than 25, inspectors should limit the sample to 25 workers. In cases where the number of workers present on the day of the inspection is less than the required sample, inspectors should interview all workers present and inform the verifier immediately. When reporting in the VRS, inspectors must complete worker interview records for each worker that was interviewed.

In the event that an inspector discovers non-compliance with a zero tolerance indicator in criteria SR-HP1 and/or SR-HP4, it is required that he or she take a further sample of 10% of the total workers in order to confirm and support the evaluation of the zero tolerance indicator. The information from the additional worker interviews should be entered as qualitative evidence in the VRS.

2.6 Volume Reporting in the VRS

All volumes should be entered in the VRS in kilograms (kg) except in cases where the prevailing weight system in the region is pounds (lbs). However, please note that the volumes are automatically converted to pounds, and in some cases the VRS will display volumes in pounds (e.g., display of flows in supply chain overview). Verifiers should keep this information in mind when conducting internal review.

3.0 Indicator Interpretation:

3.1 Direct and Regular Payments

SR-HP1.3	<u>ZERO TOLERANCE</u> : Wages are paid directly and regularly to all workers in cash or cash equivalent (check, direct deposit), and not through labor intermediaries.
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SR-HP1.3 is currently under review by SCS and Starbucks. This review process may result in an update to the indicator wording, to be released with the next version of the scorecard. In the meantime, please refer to the guidance below for interpretation of SR-HP1.3.

This indicator specifies that wages are paid (i) directly, and (ii) regularly. However, if it can be demonstrated through document review and interview that the labor intermediary is providing direct and regular payments to the workers, an evaluation of Comply may be accepted. Please see below for additional guidance.

- i. For the purposes of the C.A.F.E. Practices program, there are two categories of labor intermediaries: external subcontracting agencies, and informal work groups where workers are paid through a group leader or recruitment agent. For the purposes of this indicator, it is acceptable if external subcontracting agencies or informal work groups are used provided that the contracting agency or informal work group is operating according to all national or legal requirements and payment is made to the workers through these intermediaries.
 - a. In cases where external subcontracting agencies are providing labor to the C.A.F.E. Practices entity undergoing verification, the inspector must include the external subcontracting entity in the scope of the verification. All relevant documentation pertaining to evaluation of SR-HP indicators for the workers contracted through the external agency must be requested and reviewed by the inspector to determine indicator evaluation. SCS recommends that verifiers confirm the presence or absence of external subcontracting agencies prior to the onsite verification and inform the client that documents from these agencies must be presented during the onsite inspection.
 - b. In cases where informal work groups are providing labor to the C.A.F.E. Practices entity undergoing verification, the inspector must include an adequate representation of workers in such work groups to verify compliance with all SR-HP indicators. Work group leaders as well as work group members should be included in the interview sample to confirm whether the system meets the requirements set forth in SR-HP1.

- ii. Acceptable arrangements for “regular” payment include daily, weekly, bi-weekly, or monthly payments. Payment “at the end of harvest” does not constitute a regular payment and would result in a Not Comply evaluation if observed.

3.2 Medical Care Donations and Financial Support

SR-WC3.3	EXTRA POINT: If there is convenient and accessible public medical care, employer supports these facilities with either in-kind donations or financial support.
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The intent of SR-WC3.3 is to encourage suppliers to contribute to the ability of local medical care facilities to provide services to the community where the farm or mill is located. The contributions can come in the form of either in-kind donations (e.g., donations of materials and/or professional services) or direct financial support. While the indicator specifies that the recipient of the donations or financial support is a public medical care facility, there are cases in which public medical care facilities are owned and operated by the national government and do not accept donations or support from private entities, or in which such public medical care facilities are not available in the region. In these cases, the inspector should evaluate the indicator based on whether the employer donates to an internationally or nationally recognized non-governmental organization (NGO) that provides convenient and accessible medical care in the local community (e.g., the International Red Cross and Red Crescent Movement, Doctors Without Borders, etc.). However, prior to determining eligibility for compliance based on a non-governmental medical clinic, the verifier should confirm with SCS that the NGO is eligible for this consideration. In the case that public medical care facilities are present, but do not accept donations, AND an internationally or national recognized non-profit organization is not present, then indicator SR-WC3.3 should be evaluated as NA.

3.3 Product Tracking Systems

CP-MT1.1	ZERO TOLERANCE: Mill has a system and is tracking C.A.F.E. Practices coffee from initial purchase through point of export.
CP-MT1.2	ZERO TOLERANCE: Mill has a system and is tracking C.A.F.E. Practices coffee from initial purchase or intake through final sale or output.
PS-MT1.1	ZERO TOLERANCE: All supply chain entities have and implement a documented system to track coffee movement from initial purchase through point of export.

Integrated Mills

In the cases of a mill that forms part of a vertically integrated estate and that only receives and processes C.A.F.E. Practices coffee from the associated farm, the inspector should evaluate the relevant CP-MT indicator as “Not Applicable”.

For mills which occasionally or regularly accept and process non-C.A.F.E. Practices coffee from other farms or mills, the inspector must evaluate the relevant CP-MT1 indicator as “Comply” or “Not Comply.” The inspector should confirm whether the integrated mills accept coffee from additional farms through management, documentation and worker interviews as well as through observations (e.g., physical evidence of coffee separation).

Clarification of Tracking System

The tracking system requires that C.A.F.E. Practices coffee is kept distinct from non-C.A.F.E. Practices coffee. Coffee sold as C.A.F.E. Practices should be traceable as coffee that was produced and processed by entities that are included in the verified supply chain. A mass balance system for tracking the

coffee, that equates total C.A.F.E. Practices received to total C.A.F.E. Practices coffee delivered, while allowing for mixing of coffee from C.A.F.E. Practices verified sources with other sources is **not** acceptable.

To assess the tracking indicators, there should be documented and verbal evidence and/or visual evidence of this type of the tracking system. If an inspector sees receiving documents that show coffee coming from different wet mills or farms into the mill being inspected, but does not see that the mill tracks the lots from C.A.F.E. Practices verified and unverified sources uniquely (e.g., through lot numbers or physical segregation), then either a supply chain discrepancy procedure should be followed to report that either a farm or wet mill is potentially missing from the application and/or the entity should be given a Not Comply evaluation for the tracking indicator.

For supply chains in which a collector or other intermediary is used to aggregate coffee from smallholders prior to delivering to the mill, this step in the supply chain should be evaluated within the scope of PS-MT1.1.

3.4 Economic Accountability for Integrated Supply Chains

EA-IS1.3	Entity keeps receipts or invoices for the coffee (cherry, parchment, green) it buys or sells.
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In vertically integrated supply chains where the coffee is transferred between entities (e.g., between a farm and mill) without an associated purchase or sale, inspectors should evaluate EA-IS1.3 as “Not Applicable.” However, it may be necessary for inspectors to evaluate CP-MT1.1, even if no purchase is being made at the mill (*see* Section 3.3).

3.5 Green Coffee Volume Units for Energy Use Indicators

CP-EC1.1	The quantity of energy used on-site for coffee processing operations is recorded documenting both the annual total energy used AND, quantity of energy used per Kg of green coffee processed.
CP-EC1.3	The quantity of wood or other fuel (except parchment skin) used for drying coffee is recorded, documenting both the annual AND per Kg of green coffee processed totals.
CP-EC1.5	<u>EXTRA POINT</u> : The amount of total energy used per Kg of green coffee shows a decrease over time.
CP-RM1.1	The quantity of energy (e.g., electricity and diesel) used on-site for coffee processing operations is recorded, documenting both the annual total energy used, AND quantity of energy used per Kg of green coffee processed.
CP-RM1.2	<u>EXTRA POINT</u> : Records indicate the total amount of energy used per Kg of green coffee shows a decrease over time.

The intent of indicators CP-EC1.1, CP-EC1.3, and CP-EC1.5 (Wet Mills - Energy Conservation) and CP-RM1.1 and CP-RM1.2 (Dry Mill - Dry Mill Resource Management) is to encourage mills to monitor and record their energy use in a consistent manner to better understand their energy use trends and identify methods for reduction. Currently, each of these indicators specifies that mills must monitor energy consumption by “Kg” of green coffee.

In some countries, the national government recognizes units of volume that represent a specific volume of kilograms of green coffee. For example, one “fanega” in Costa Rica is equivalent to 46 kg of green coffee. Where this is applicable, the inspector should confirm that the mill cites the government source

for these units and the kilogram equivalent of the nationally recognized unit on the energy consumption records. In this case, the inspector should evaluate the indicator as “Comply”.

The C.A.F.E. Practices program currently accepts the use of “fanegas” in Costa Rica and “quintales” for various Central American countries. If mills are using any units other than kilograms or the ones mentioned above, verification organizations should contact SCS to request approval.

3.6 Appropriate Personal Protective Equipment

SR-WC4.1	Employer provides appropriate Personal Protective Equipment (PPE) to all applicable workers at no cost. <ul style="list-style-type: none"> • For farms: respirators with filters, goggles, rubber boots, water-proof gloves, impermeable clothing • For dry mills: goggles, ear plugs, masks
SR-WC4.2	Anyone handling or applying agrochemicals and operating machinery uses the appropriate protective equipment. <ul style="list-style-type: none"> • When applying pesticides, workers use respirators with filters, goggles, rubber boots, water-proof gloves, and impermeable clothing (SR-WC4.1). • When applying chemical fertilizers, workers use rubber boots, and if appropriate, gloves and protective goggles.

When evaluating SR-WC 4.1, inspectors should assess which PPE would be appropriate based on the particular situation on the farm or mill and should avoid using a checklist approach. As discussed at the V3.0 training, the determination of “appropriate” depends on a number of factors, including: method of application, form of chemical (e.g., pellets, liquid, etc.), toxicity of substance being applied, and type of operation (e.g., organic).

On the other hand, the evaluation of SR-WC4.2 is based, in part, on the minimum requirements for PPE to be used for pesticide and/or fertilizer application. Any other PPE requirements in addition to the minimum for pesticide and fertilizer application in SR-WC4.2 will need to be determined by the inspector according to if they are “appropriate” or not. This should be determined by reviewing the manufacturer’s label of the pesticide or fertilizer and noting any additional PPE recommendations or requirements. Where available, Material Safety Data Sheets (MSDS) should also be reviewed to determine appropriate PPE requirements.

3.7 Farmer Agreement/Identification

PS-MT1.4	Participating farmers are given a written agreement or identification card when they commit to implementing C.A.F.E. Practices guidelines.
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For PS-MT1.4, the Producer Support Organization must provide evidence of written agreements for individual farmers. A collective agreement is not sufficient to evaluate the indicator as Comply.

3.8 Employee Training

SR-WC2.5	<u>EXTRA POINT:</u> Employer supports training or workshops for permanent/full-time workers on additional skills or trades (i.e., financial literacy, second language).
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Indicator SR-WC2.5 refers to training or workshops related to improvement of skills or trades of permanent workers to increase their value as an employee. Some examples of this type of training

might be: literacy training, computer training, or specific trade skills (e.g., special farm or mill techniques, construction skills, etc.). This indicator does not apply to trainings that are required as part of the normal course of employment (e.g., health and safety trainings) and/or trainings that ensure that employees carry out their assigned duties in a safe manner. Trainings provided as a requirement for employment are covered in other indicators (e.g., health and safety trainings are addressed in SR-WC4.2 – 4.4).

3.9 Water Stress and Efficiency

CP-WC1.6	The mill demonstrates awareness of whether or not water stress exists in the watershed in which they are operating and takes steps to maximize efficiency.
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The focus of all CP-WC1 indicators is to minimize water consumption at the site of the mill. When evaluating CP-WC1.6, the mill must demonstrate awareness AND take steps to maximize efficiency, regardless of whether or not water stress exists in the watershed, to receive an evaluation of Comply. If the mill demonstrates awareness that no water stress exists in the watershed, but does not take steps to maximize efficiency, the inspector would evaluate the indicator as Not Comply.

3.10 Energy Sourcing Innovation

CP-RM1.4	<u>EXTRA POINT:</u> Milling operation demonstrates innovation in energy sourcing through either the on-site production of renewable energy or purchase of offsets, or both (e.g., solar, wind, water, geothermal, biomass) beyond any locally available conventional source.
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The focus of CP-RM1.4 is to encourage the production of renewable energy and/or or purchase of carbon offsets. While the act of drying coffee in the sun may be considered “energy efficient,” it would not be considered relevant to indicator CP-EC2.6 since there is no energy produced or purchased. Wet mills are evaluated for energy efficient drying through indicator CP-EC1.2.