



GREEN COFFEE SOURCING COMMITMENT

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VERSION 3.0
MARCH 30, 2018



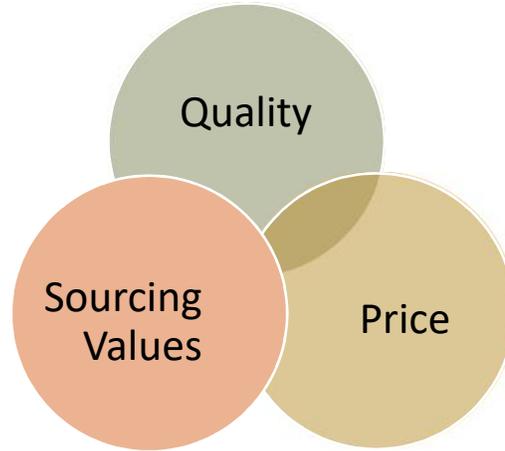
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PHILZ GREEN COFFEE BUYING PROGRAM OVERVIEW

PHILZ GREEN COFFEE BUYING PROGRAM IS COMPRISED OF THREE PILLARS:



OUR GREEN SOURCING TEAM ENSURES WE HAVE THE RIGHT QUANTITY GREEN BEANS ON TIME AND THAT THESE GREEN BEANS MEET OUR QUALITY, PRICE, AND SOURCING VALUE SPECIFICATIONS.

THIS DOCUMENT DEFINES OUR **sourcing values** AND THE MECHANISMS FOR PUTTING THEM INTO ACTION.

SOURCING VALUES

With our green buying choices, Philz coffee department can make a profound contribution to our company mission to “better days one cup at a time”. We have the unique opportunity to deepen our “cup of love” by incorporating our core values in our green bean purchasing. Our overarching intention is to include conscientious care for the producers who grow our coffee and for everyone in the supply chain who assists in bringing our green coffee into our roasting plant. We also recognize that sustainability of our supply chain – ensuring sufficient supply of the quality coffees we need – is essential to the longevity of our brand.

This Sourcing Commitment document initially developed in 2015 identifies our buying criteria and documents how we manage these criteria through our Philz Preferred Partner Program (PPP) and our lot traceability documentation required for every green bean purchase we make. Additionally, as part of our sourcing commitment, Philz generously donates to Food 4 Farmers and World Coffee Research and this document explains those commitments.

Our sourcing commitment is expected to continuously evolve as we achieve our minimum requirements and learn more about opportunities to expand them in ways meaningful to better the days of our upstream supply chain partners.

In 2018, we are releasing version 3.0, including new indicators (captured on our lot traceability questionnaire) and stricter compliance goals.



GREEN BUYING CRITERIA

We have identified three broad, but measurable buying commitments. Our goal is to meet these minimum standards with every purchase and to actively seek out and ultimately exclusively choose supply chain partners that are most passionately interested to help us surpass our minimum buying criteria.

1. TRACEABILITY

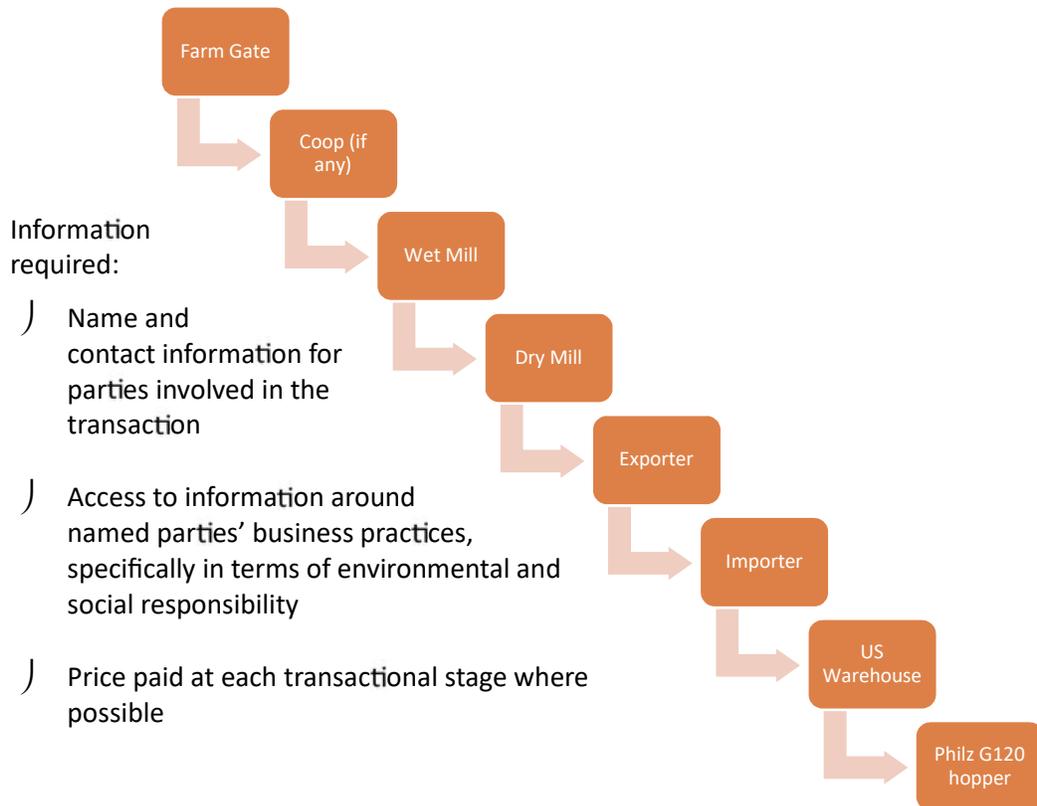
All of our green coffee purchases will be bought with a commitment to traceability and price transparency. This specifically means that we will *ask every green coffee supplier to provide traceability as close to the farm gate as possible.*

WHY (THE UNDERLYING VALUE)

Traceability as buying criteria allows us to ensure that we buy coffee from sources that practice environmental and social responsibility. Additionally, quality being equal, we are empowered to choose the suppliers achieving the most good within these broad areas of concern. As we continue to learn what is and isn't possible for each of our green bean origins and, as we continue to expand our areas of concern and impact, we'll continue to add indicators to our lot traceability data collection.

WHAT (THE DETAILS)

Recognizing that not all origins allow for farm gate traceability, at minimum, we request traceability to the dry mill. However, our goal is to trace each of the following primary steps in a coffee bean's journey. Note that steps may delineate physical or paper only transfer of the beans, and sometimes both.





2. COMMITMENT TO WORKER SAFETY AND THE ENVIRONMENT

WHY (THE UNDERLYING VALUE)

For the health of the earth as well as for coffee pickers and ultimately our customers, we are committed to purchasing only from sources that can provide proof/plausible assurance that they are protecting and preserving the earth and their people partners through sound environmental and safety practices.

WHAT (THE DETAILS)

Our minimum commitment is to have our suppliers verify that they are not using the chemicals on the [Sustainable Agriculture Network banned chemical list](#).

Additionally, we ask that the following protective measures are in place:

-) Waterway buffer zones
-) Protective clothing for workers
-) Safe storage of agrochemicals
-) No forced labor

Wherever possible, we will go further in this area of environmental concern and seek organically grown and other third-party certified coffees. We recognize, however, that not all origins are able to provide the quality and quantity we need in an organic or otherwise certified offering, so we make certification a preference, but not a commitment. We also appreciate that many of our core supply chain partners have robust technical assistance programs that cover far more than our minimum requirements and, in these cases, we welcome links into existing systems to verify data.

3. ACTIVE COMMITMENT TO SOCIAL VALUES

WHY (THE UNDERLYING VALUE)

As a company with a mission to “better days”, we care about social issues like housing, education, child labor, health care, worker safety, leadership diversity, and gender equity issues, among many others. At minimum, we want to have confidence that suppliers we buy from care about these issues too and that they care to the level that they actively practice social responsibility.

WHAT (THE DETAILS)

Because there are so many areas of social responsibility and so many avenues for practicing it, we choose to keep our commitment broad. At minimum, we require that every identified partner in our traceability chain has at least one impactful and measurable social program in place. Some examples include an exporter’s technical assistance program, a cooperative’s healthcare clinic, an estate owner’s school or scholarship program, a community’s gender empowerment initiatives, and an importer’s donation program to their local charity of significance to their team. Though we require only one social program per identified partner, we ideally choose partners that are generously and devotedly practicing social responsibility.



IMPLEMENTATION

Our sourcing commitment is only meaningful with successful implementation. It is imperative to us that that we are true to our intentions, that we can verify compliance, and that we can efficiently track our impact – the latter principally to ensure we are focusing on the right intentions. At the same time, it is important to our “bettering days” mission that we do not create an administrative burden for anyone. To that end, we have created an annual partner registration process to collect as much information as practical from our partners only once each year, which allows us to then simplify our per lot reporting requirements.

PHILZ PREFERRED PARTNER PROGRAM

OVERVIEW

Philz coffee department requires every traceable partner throughout our green coffee supply chain to register annually as a Philz Preferred Partner (PPP) and to update their origin registration. PPP is awarded to partners who complete our registration process successfully and have the ability to comply with our lot traceability requirements. Please see PPP program FAQ for more details.

We use google forms manage registration. Example forms are in the Appendix below. Email greenteam@philzcoffee.com for active links:

[Philz Preferred Partner \(PPP\) Registration – 2018](#)

[PPP Importer Origin Registration - 2018](#)

LOT TRACEABILITY

We send a reminder link to our [Philz Coffee Lot Questionnaire](#) at the time we approve a pre-shipment or Spot sample for previously contracted lots. Submission is not required until arrival into the US, but submission is encouraged as early as possible.

By end of 2018, Philz will not approve coffee for release into our position until we have received a completed lot traceability questionnaire.

DONATION PROGRAM: FOOD 4 FARMERS AND WORLD COFFEE RESEARCH

FOOD 4 FARMERS WHY (THE UNDERLYING VALUE)

Philz value: Because, even with our sourcing criteria tracking, we cannot ensure that every purchase we make meets the level of social and environmental care we have as a company, we have implemented a generous donation program tracked directly to our green coffee purchases.

Coffee industry need: Food security is one of the most critical issues for the sustainability of the coffee industry.

About 75% of undernourished people live in low-income rural areas of developing countries, principally in farming areas. Here, chronic hunger usually occurs between harvest seasons, when the previous year’s food stocks have dwindled, food prices are high, and income is scarce. Different regions have various terms for this period: The Thin Months, the months of the big stomach, seasons of hunger, times of silence, or the months of water. Source: [Food 4 Farmers](#).

PHILZ INVESTMENT



We donate .045 cents for every green bean pound¹ we purchase directly to [Food 4 Farmers \(F4F\)](#), a nonprofit organization with a mission to “facilitate the implementation of sustainable food security programs in coffee farming communities”. In real numbers this equates to over \$115,000 gifted in 2017. Our Dir. of Coffee works closely with Food 4 Farmers to direct and manage the allocation of our donation dollars to ensure projects we fund are measurable, impactful, and, ideally transferable to other communities – the latter, thereby contributing to a broader global impact on reducing seasonal hunger. For Philz, ensuring that the growers of our core product are able to meet their basic need for food is nonnegotiable.

WORLD COFFEE RESEARCH WHY (THE UNDERLYING VALUE)

Coffee industry need: The future of coffee, specialty coffee in particular, is at risk from a basic supply demand perspective. Changing climatic conditions, disease, pests, and other stressors, are reducing supply potential, while demand continues strong. Even in lands still suitable for specialty coffee production, coffee varieties that can thrive and produce robust production volumes are challenged. Specialty coffee roasters in particular are now competing for a dwindling global supply of quality coffee.

PHILZ INVESTMENT

We donate .005 cents of every pound of green coffee we purchase to [World Coffee Research \(WCR\)](#) as part of their [roaster check-off program](#). WCR believes that “the most efficient way to solve these complex problems [quality supply shortage] for both business and farmers is through collaborative, scientific research and development”. We believe in the work of WCR as a long-term supply chain security investment and regularly monitor their work.

TRACKING AND REPORTING

We track our success for justification of our programs, as well as to share with team members, board members, suppliers, and customers.

Buying Criteria

By using Google forms for our PPP registration and lot questionnaire, we have capability to simply track and report out on our sourcing commitment buying criteria at any time. We report performance to our vendors as needed or requested and annually as part of a report card that also includes quality and service metrics.

Donation Program Reporting

Food 4 Farmers provides detailed quarterly and annual reporting, including financials and project plan updates. This information is made available internally and as approved for external consumption.

World Coffee Research issues annual and quarterly reporting on their work, which can be accessed via their website.

¹ It’s significant to emphasize we make this donation based on our green coffee purchases and not our roasted pounds produced. We lose approximately 18% on average in shrinkage from green beans loaded into the roaster to roasted coffee coming out of the cooling tray.



APPENDIX

PHILZ PREFERRED PARTNER (PPP) PROGRAM FAQ

PHILZ PREFERRED PARTNER (PPP) REGISTRATION - 2018 – EXAMPLE

PPP IMPORTER ORIGIN REGISTRATION - 2018- EXAMPLE

PHILZ COFFEE LOT QUESTIONNAIRE V. 2018- EXAMPLE