



C.A.F.E. Practices

Coffee and Farmer Equity

C.A.F.E. Practices - Terms & Conditions V 4.0 **Addendum 1**

The purpose of this addendum to C.A.F.E. Practices Terms & Conditions V4.0 is to update on actions Starbucks Coffee Trading Company (SCTC) may undertake when Zero Tolerance Non-Conformities (ZTNCs) are found during a verification, reverification or an unannounced audit of a supply chain. It also addresses the procedures and consequences arising from ZTNCs detected during verifications, reverifications.

This addendum will take immediate effect becoming an integral part of C.A.F.E. Practices Terms and Conditions version 4.0.

1. Zero Tolerance Non-Conformities (ZTNCs) found during verifications, reverifications or unannounced audits.

- a. Starbucks reserves the right to immediately suspend the validity of legacy supply chains if ZTNCs were found during reverification or an unannounced audit. The validity suspension can be either temporary or permanent at Starbucks' sole discretion depending on the severity of the ZTNCs found.
- b. Even if the validity of the legacy supply chain is not suspended, Starbucks reserves the right to immediately suspend, at its sole discretion, shipments originating from supply chains where ZTNCs were found during a verification, reverification or an unannounced audit. Shipments from supply chains with current validity will be allowed to resume only when a ZT-CAP process has been properly implemented, the check conducted, and the results accepted by SCS and Starbucks.
- c. Starbucks reserves the right to reject or make a financial claim against coffee that has already shipped, or contracted coffee that is no longer eligible to ship, from supply chains if ZTNCs were found during a verification, reverification or an unannounced audit.

- d. The decision to suspend, reject, or make claims will be based on the number and seriousness of ZTNCs found. The history of non-compliance and/or ZTNCs found in the legacy or legacies of the supply chain being verified or reverified will also have an impact on the decision.

2. In-Harvest Requirements for ZT-CAP Checks (related to verifications and reverifications)

NOTE: Some ZT-CAP checks are required to be completed in harvest, however some may be completed off-harvest.

- a. ZT-CAP checks should generally be conducted on-site, at entities that are classified as in-harvest. The full set of requirements for in-harvest classification of each entity type can be found in the Terms and Conditions v4.o.
- b. If it is not possible to conduct a ZT-CAP check during the same harvest period as when the verification took place, this may have serious consequences on the supply chain's validity since its approval will be delayed until the next harvest season, and the validity of the legacy supply chains may be suspended or may expire before the ZT-CAP check process is completed.
- c. A supply chain is required to conduct the ZT-CAP check with the same verification organization that conducted the latest verification where the ZTNCs were identified. However, the reverification can be conducted by a different verification organization. In the case where both the ZT-CAP check and reverification are conducted by the same original verification organization, these two activities can be conducted at the same time. In the case where the ZT-CAP check and reverification are conducted by different verification organizations, these two activities will need to be conducted separately: first the ZT-CAP check, and then the reverification. Please note:
 - If the ZT-CAP check shows that the ZTNCs cannot be corrected, a status will not be granted, even if a reverification took place.
 - If the ZT-CAP check is satisfactory, but new ZTNCs occur during the reverification, they will need to be addressed and corrected during the same harvest season. Starbucks reserves the right to not grant any validity in the case of repeating, high risk, ZTNCs.

3. In-Harvest Procedures for ZT-CAP Checks by application type (related to verifications and reverifications)

- a. **Large farms** must reverify every year in harvest, therefore the ZT-CAP check must be completed during the same harvest period as when the reverification took place. If not possible, the ZT-CAP check will have to be completed during the following harvest season, before or with a reverification.

- b. **For supply chains with small and medium size farms**, when a ZT-CAP check needs to be conducted in harvest but the harvest season has come to an end, the ZT-CAP check will be allowed to take place **during the next harvest season**. If the ZTNCs are corrected, the supply chain will only receive a **maximum of 1-year validity** beginning on the first day of the validity period during which the approval was granted (the validity period when the ZT-CAP check took place). This is to ensure full verifications are not postponed for many years.
- c. If a supply chain is determined to be high risk (non-compliant legacies, child-labor cases, recurrent ZTNCs, obvious lack of commitment etc.), Starbucks together with SCS can decide at their own discretion that the supply chain will be required to carry out **both a ZT-CAP check and a full reverification** in order to be granted a validity. If the ZTNCs are corrected, the supply chain may receive a **maximum of 2 years** validity (for small and medium farm networks).
- d. Starbucks can decide at its sole discretion that a high-risk supply chain will no longer be accepted in the C.A.F.E. Practices program.