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December 14, 2020

VIA E-MAIL (shareholderproposals@sec.gov)

U.S. Securities and Exchange Commission  
Division of Corporation Finance  
Office of Chief Counsel  
100 F Street, N.E.  
Washington, DC 20549

**Re: Shareholder Proposal Submitted by the Catherine Donnelly Foundation**

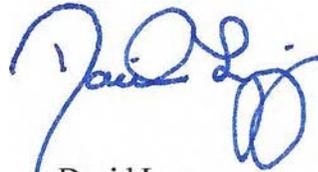
Ladies and Gentlemen:

We previously submitted to the staff of the Division of Corporation Finance (the “Staff”) a letter, dated November 3, 2020, on behalf of our client, Starbucks Corporation (the “Company”) requesting the Staff’s concurrence that the Company may exclude from the proxy materials for the Company’s 2021 annual meeting of shareholders the shareholder proposal (the “Proposal”) referenced above submitted by the Catherine Donnelly Foundation (the “Proponent”).

On Wednesday, December 9, 2020, the Proponent submitted to the Company a letter withdrawing the Proposal and the Company signed this letter on Friday, December 11, 2020. A copy of the withdrawal letter is attached as Exhibit A. Because the Proponent has withdrawn the Proposal, the Company also hereby withdraws its request for a no-action letter relating to the Proposal.

A copy of this letter is being provided simultaneously to the Proponent. If we can be of assistance in this matter, please do not hesitate to call me.

Sincerely,



David Lopez

Enclosures

Cc: MJ Sinha, Catherine Donnelly Foundation  
Sarah Couturier-Tanoh, Shareholder Association for Research and Education  
Rachel Gonzalez, Starbucks Corporation  
Jennifer Kraft, Starbucks Corporation

**Exhibit A**

December 09, 2020

Via email: ([jkraft@starbucks.com](mailto:jkraft@starbucks.com))

Jennifer Kraft  
Senior Vice President, Deputy General Counsel  
401 Utah Avenue South  
Mail Stop S-LA1  
Seattle, Washington, 98134

Dear Mrs. Kraft,

On behalf of the Catherine Donnelly Foundation (the Proponent), please accept this letter as withdrawal of the Proponents' shareholder Proposal asking

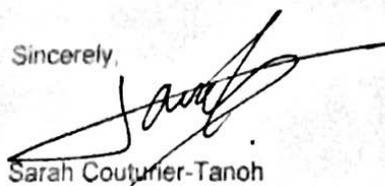
*That the board of directors report to shareholders, at reasonable cost and omitting proprietary information, on actions the company is taking to uphold decent work practices in the company's owned and franchisee operations, including*

- 1. Information on the company's overall approach and board-level oversight of human capital management in the context of emerging workforce-related risks and opportunities in the retail coffee industry; and*
- 2. Comprehensive workforce metrics that effectively demonstrate the success and challenges the company faces in its management of human capital.*

The Proponent is withdrawing the proposal based on Starbucks commitment to continue discussions in spring and fall 2021. We represent that Shareholder Association for Research & Education (SHARE) is authorized to withdraw the proposal on the Proponent's behalf. The discussions should include whether the Company would consider to disclosing additional key workforce metrics that would reflect the success and challenges it faces in its management of human capital management.

Thank you again for your time and your attention and support of this collaborative process.

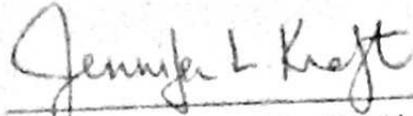
Sincerely,



Sarah Couturier-Tanoh  
Shareholder Association for Research & Education (SHARE)

On behalf of Proponents  
*The Catherine Donnelly Foundation*

Agreed to this 11<sup>th</sup> day of December 2020



\_\_\_\_\_  
Jennifer Kraft, Senior Vice President, Deputy General Counsel  
Starbucks Corporation

December 7, 2020

Via electronic mail to [shareholderproposals@sec.gov](mailto:shareholderproposals@sec.gov)

Office of Chief Counsel  
Division of Corporation Finance  
U.S. Securities and Exchange Commission  
100 F Street, N.E. Washington, D.C. 20549

**Re:** Shareholder Proposal to Starbucks Corp. regarding request for information on the Company's overall approach and board-level oversight of human capital management and workforce related metrics

Dear Sir or Madam;

Pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, SHARE on behalf of the Catherine Donnelly Foundation (the "Proponents") submitted a shareholder proposal (the "Proposal") to Starbucks Corp. (the "Company"). The Proposal asks the Company's Board of Directors to analyze and report to shareholders information on the Company's overall approach and board-level oversight of human capital management including comprehensive workforce metrics that effectively demonstrate the success and/or challenges the Company faces in its management of human capital.

In a letter to the Division dated November 3, 2020 (the "no-action request"), the Company represented by the firm Cleary Gottlieb Steen & Hamilton LLP stated that it intends to omit the Proposal from its proxy materials to be distributed to shareholders in connection with the Company's 2021 annual meeting of shareholders. The Company argues that it is entitled to exclude the Proposal in reliance on Rule 14a-8(i)(10) and Rule 14a-8(i)(7), on the grounds that the Company has already implemented the proposal and the proposal deals with the Company's ordinary business operations.

As discussed below, the Company has not met its burden of proving its entitlement to exclude the Proposal on the ground of Rule 14a-8(i)(10) and Rule 14a-8(i)(7) and the Proponents respectfully request that the Company's request for relief be denied.

A copy of this letter is being emailed concurrently to David Lopez at [dlopez@cgsh.com](mailto:dlopez@cgsh.com), Mary Alcock at [malcock@cgsh.com](mailto:malcock@cgsh.com), Jennifer Kraft at [jkraft@starbucks.com](mailto:jkraft@starbucks.com) and Denby Katherine at [kdenby@cgsh.com](mailto:kdenby@cgsh.com). We ask that the Staff provide its response to Sarah Couturier-Tanoh at [scouturier-tanoh@share.ca](mailto:scouturier-tanoh@share.ca) and Anthony Schein at [aschein@share.ca](mailto:aschein@share.ca).

## PROPOSAL

That the board of directors report to shareholders, at reasonable cost and omitting proprietary information, on actions the Company is taking to uphold decent work practices in the Company's owned and franchisee operations, including:

1. Information on the Company's overall approach and board-level oversight of human capital management in the context of emerging workforce-related risks and opportunities in the retail coffee industry; and
2. Comprehensive workforce metrics that effectively demonstrate the success and challenges the Company faces in its management of human capital.

## SUMMARY

The Proposal requests that the Company report to shareholders on their overall approach and board-level oversight of human capital management as well as provide workforce metrics that would demonstrate the success and/or challenges that the Company faces in its management of human capital.

The Company's no-action request argues that the Proposal is excludable under Rule 14a-8(i)(7) because it addresses an ordinary business matter without addressing a transcendent policy issue and under Rule 14a-8(i)(10) because the Company has allegedly already implemented the Proposal.

Throughout its discussion, the Company re-defines the "essential objective" and primary focus of the Proposal to suit its purpose. In addition, the company declines to address the most recent disclosure requirements under Regulation S-K – especially as they relate to human capital management.

In the past few years, the SEC has repeatedly recognized that there is a growing demand for better corporate disclosure on human capital management. For instance, Jay Clayton, Chairman of the SEC, said in April 2019 to the House Appropriations Subcommittee on Financial Services and General Governance that he "would like to see more disclosure from public companies on how they think about human capital".<sup>1</sup>

On August 26, 2020, the SEC adopted final amendments under Regulation S-K in the context of the Disclosure Effectiveness Initiative to modernize and improve corporate disclosures. The amendments became effective on November 9, 2020. The revisions included disclosure requirements relating to human capital management. In Release Nos. 33-10825, the Staff clarified these requirements and provided some guidance to help companies to comply. Item 101(c) requires issuers to provide "

to the extent such disclosure is material to an understanding of the registrant's business taken as a whole, a description of a registrant's human capital resources,

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<sup>1</sup> See <https://appropriations.house.gov/calendararchive/eventsingle.aspx?EventID=395258>

including any human capital measures or objectives that the registrant focuses on in managing the business."<sup>2</sup>

Furthermore, the document acknowledges that "human capital is a material resource for many companies and often is a focus of management, in varying ways, and an important driver of performance"<sup>3</sup>.

This is particularly true for companies operating in the quick-service restaurant industry. In fact, the Company admits in its 2020 Form-K that "the strength of [its] workforce is one of the significant contributors to [its] success as a global brand that leads with purpose" and that "one of [its] core strategies is to invest in and support our partners to differentiate [its] brand, products and services in the competitive specialty coffee market"<sup>4</sup>.

In addition, the Company mentioned that it could be adversely impacted by "increases in labor costs, including wages and benefits, which, in a retail business such as [its], are two of [its] most significant costs, both domestically and internationally" such as "increased wages and costs of other benefits necessary to attract and retain high quality employees with the right skill sets". Further, the Company says that:

*"the growth of [its] business can make it increasingly difficult to locate and hire sufficient numbers of key employees, to maintain an effective system of internal controls for a globally dispersed enterprise and to train employees worldwide to deliver a consistently high-quality product and customer experience, which could materially harm [its] business and results of operations. Furthermore, due to the COVID-19 pandemic, [the Company] could experience a shortage of labor for store positions as concern over exposure to COVID-19 and other factors could decrease the pool of available qualified talent for key functions. In addition, [its] wages and benefits programs, combined with the challenging conditions due to the COVID-19 pandemic, may be insufficient to attract and retain the best talents".*

From the Company's public disclosure, it is clear that the attraction and retention of employees is a key aspect of its human capital management and overall business strategy. Considering the risks that the failure to attract and retain employees represents to the success of its operations and brand value, especially during the COVID-19 pandemic, there is no doubt that workforce stability is one of the key aspects on which the Company's management focuses in managing the business.

Also, it is worth noting that workforce stability is not a challenge for the Company only, but for the quick-service restaurant sector in general. In the last few years, the restaurant industry has faced challenges stabilizing its workforce. Studies indicate extremely high turnover rate as high

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<sup>2</sup> SEC. Release Nos. 33-10825, Modernization of Regulation S-K Items 101, 103, and 105

<sup>3</sup> SEC. Release Nos. 33-10825, Modernization of Regulation S-K Items 101, 103, and 105

<sup>4</sup> Starbucks. 10-K Filing, available at: <http://d18rn0p25nwr6d.cloudfront.net/CIK-0000829224/3f9654c9-56fa-4653-8966-000c483fbd7a.pdf>

as 150%.<sup>5</sup> This trend is worrisome for investors since excessive turnover rates induce higher labour costs due to "

*the time it takes a manager to hire a worker, the time it takes to train a worker, and the time it takes for them to become proficient on a job — in fast food, that is measured in one to two months, and during that period of time, half of the pay should be considered a loss. And there are less tangible costs: organizational disruption and team disruption.*"<sup>6</sup>

The workforce stability challenge that the Company faces in its human capital management and the attention it pays to mitigate associated risks illustrate disclosure deficiencies in light of the SEC's newest requirements that registrants disclose "any human capital measures or objectives that the registrant focuses on in managing the business".

In addition, it is worth noting that the Proposal does not impose specific timeframes or methods for implementing the request but instead requests information on Company key performance indicators without mandating the minutia of the Company's day-to-day management. In no way does the Proposal, as written, intrude into the Company's ordinary business decisions nor does it seek to micromanage the Company.

Instead, the Proposal simply asks that the Company provides a description of its overall approach and board-level oversight of human capital management and material key workforce metrics that would help investors assess the effectiveness of its human capital management and the robustness of its board oversight. By seeking more information on the Company's overall direction and board-level oversight as well as disclosure that inform shareholders about the effectiveness of Board oversight, the Proposal aims to address a concern understood and regulated by the SEC and shared by a growing number of investors.

The Proposal is not excludable under either Rule 14a-8(i)(10) or Rule 14a-8(i)(7). The following discussion will demonstrate that, to the contrary, the Company failed to address the essential objective of the Proposal, and that the Proposal addresses significant policy issues that transcend day-to-day business matters.

## ANALYSIS

### **(I) The Proposal "essential objective" seeks full understanding of the Board's oversight of emerging risks in the Company's industry and a report on the successes and challenges it faces in its management of human capital**

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<sup>5</sup> Imelda A. Bebe. Employee Turnover Intention in the U.S. Fast Food Industry, available at:

<https://scholarworks.waldenu.edu/cgi/viewcontent.cgi?article=3168&context=dissertations>

<sup>6</sup> CNBC. Panera is losing nearly 100% of its workers every year as fast-food turnover crisis worsens, available at:

<https://www.cnbc.com/2019/08/29/fast-food-restaurants-in-america-are-losing-100percent-of-workers-every-year.html>

Rule 14a-8(i)(10) allows a company to exclude from its proxy material a proposal that has been "substantially implemented." In Release No. 34-12598, the Staff clarified that the rule was "designed to avoid the possibility of shareholders having to consider matters which have already been favourably acted upon by the management." The Staff interpretation is that the proposal does not have to be "fully effected" to be "substantially implemented". If the Company's own practices compare favourably with the guidelines set forth in the proposal, the Staff may determine the substantial implementation of a proposal. Another way the Division's Staff has expressed this standard is that a company has substantially implemented a proposal if it satisfies its "essential objectives".

Notably, the Company seems to have difficulties identifying the core focus of the Proposal. In one instance it claims that the Proposal's "essential objective" is "to ensure that shareholders are informed about the Company's policies and practices regarding its workforce" despite the fact that the Proposal never asked about any policy or practice in place. And in another instance, it says that "the Proposal's focus is on the financial value and risks to the Company in its workforce management, which encompasses matters relating to hiring, retaining, developing, training and communicating with its workforce". Both of these areas of focus have been used interchangeably by the Company depending upon the point it was making. The following discussion will clarify the exact "essential objective" and will demonstrate that it is therefore not excludable under Rule 14a-8(i)(10).

The Proposal focuses on the Board's oversight responsibility and effectiveness. In further asking the Company to provide "comprehensive workforce metrics that effectively demonstrate the success and challenges [it] faces in its management of human capital", the Proposal clearly asserts that the purpose of such Board-determined disclosure is to "help investors to assess the effectiveness of the company's approach to human capital management and the robustness of its board's oversight." By mischaracterizing the "essential objective" of the Proposal, the Company seeks to shoehorn the proposal into an excludable category.

The Company argues that it has already and substantially implemented the Proposal as it "has made numerous disclosure [sic] on this precise subject matter [...] through extensive Public Disclosures regarding its workplace policies and practices." While the list of disclosures provided by the Company relates to human capital management, none of them enable investors to assess the effectiveness of the Board oversight or Company's approach to human capital management.

Rather, the Company's disclosure primarily focuses on qualitative information, conveniently omitting to report whether it has achieved its objectives and what progress has made so far in realizing those objectives. Such disclosure does not fulfill in any respect the essential objective of the Proposal.

As explained by the Human Capital Management Coalition in its letter to the SEC dated October 22, 2019: "there is broad consensus that long-term investing strategies are needed to stabilize and

improve our markets and to effect the efficient allocation of capital. Human capital management metrics are precisely the type of information that enables investors to take the long view.<sup>7</sup>

Human capital management priorities may vary between industries depending on the risks associated with certain activities. In the fast-food industry, companies are exposed to workforce challenges that may affect their reputation, operation, and customer satisfaction, which could affect shareholders' return in the long-run. For instance, workforce stability and health and safety are often cited as one of the most challenging issues companies operating in the quick food service have to manage.<sup>8</sup> Yet, the Company only discloses the goals and performance associated with its promotion of inclusion, diversity and equity. Disclosure primarily focusing on a company's success while omitting the most material risks and challenges it faces, prevent investors from performing their due diligence in accordance with their fiduciary duty.

In that perspective, the disclosure of meaningful metrics and goals that the Board focuses on is essential for shareholders to evaluate performance associated with the mitigation of workforce-related risks and challenges. While the description of internal policies and practices, and governance structures are important to investors as it can help them understand the efforts deployed by a company to address workforce-issues, workforce metrics are key to demonstrate the success of these policies and practices, and the merit of any labour-related investment.

**(II) The proposal focuses on significant policy issues that transcend the Company's ordinary business operations**

The Company further argues that the Proposal is excludable because it relates to the Company's relationship with its partners, does not implicate a significant policy issue and seeks to micro-manage the Company's ordinary business operations. To the contrary, the following discussion will demonstrate that (a) the Proposal addresses a significant policy issue that transcends the day-to-day business matters and (b) that is appropriate for a shareholder vote.

**(a) The Proposal addresses a significant policy issue that transcends the day-to-day business matters**

Rule 14a-8(i)(7) permits a company to omit a shareholder proposal if it "deals with a matter relating to the company's ordinary business operations." The purpose of the exception, as articulated by Staff, is "to confine the resolution of ordinary business problems to management and the board of directors, since it is impracticable for shareholders to decide how to solve such problems at an annual shareholders meeting."

The Company asserts that "the Staff has regularly concurred that shareholder proposals relating to a company's management of its workforce or to the relationship between the Company and its

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<sup>7</sup> Human Capital Coalition. Letter to the SEC, available at: <https://www.sec.gov/comments/s7-11-19/s71119-6322887-194462.pdf>

<sup>8</sup> Alison Dickson and al. The Shift-Work Shuffle: Flexibility and Instability for Chicago's Fast Food Workforce, available at: [https://ler.illinois.edu/wp-content/uploads/2015/01/FastFoodReport\\_FINAL.pdf](https://ler.illinois.edu/wp-content/uploads/2015/01/FastFoodReport_FINAL.pdf); Imelda A. Bebe. Employee Turnover Intention in the U.S. Fast Food Industry, available at: <https://scholarworks.waldenu.edu/cgi/viewcontent.cgi?article=3168&context=dissertations>; Eater. Fast-Food Workers Are Always in the Line of Fire, available at: <https://www.eater.com/2019/4/25/18516104/fast-food-workers-salary-job-stability-benefits>; Business Insider. The fast food industry is facing a growing crisis, available at: <https://www.businessinsider.com/mcdonalds-taco-bell-fast-food-turnover-technology-2018-4>

employees may be excluded under Rule 14a-8(i)(7).” To support its conclusion, the Company letter provides an extended list of examples of excludable ordinary business categories that, if they were the direct subject of a proposal, would not transcend ordinary business.

However, in its 1998 Release<sup>9</sup>, the Commission reversed the *Cracker Barrel* position under which “all employment-related shareholder proposals raising social policy issues would be excludable under the ‘ordinary business’ exclusion.” The Commission said that, going forward, a no-action request relating to employment matters would be evaluated on a case-by-case approach. The same Release clarified the notion of “ordinary business:”

*The policy underlying the ordinary business exclusion rests on two central considerations. The first relates to the subject matter of the proposal. Certain tasks are so fundamental to management's ability to run a company on a day-to-day basis that they could not, as a practical matter, be subject to direct shareholder oversight. Examples include the management of the workforce, such as the hiring, promotion, and termination of employees, decisions on production quality and quantity, and the retention of suppliers. [...]*

*The second consideration relates to the degree to which the proposal seeks to "micro-manage" the Company by probing too deeply into matters of a complex nature upon which shareholders, as a group, would not be in a position to make an informed judgment. This consideration may come into play in a number of circumstances, such as where the proposal involves intricate detail, or seeks to impose specific time-frames or methods for implementing complex policies.<sup>10</sup>*

In the same Release, the Commission explains that “proposals relating to [ordinary business] matters but focusing on sufficiently significant social policy issues generally would not be considered to be excludable, because the proposals would transcend the day-to-day business matters and raise policy issues so significant that it would be appropriate for a shareholder vote”<sup>11</sup>. The Company argues that “the Proposal does not relate to any significant policy issues that transcend the day-to-day operations of the Company” alleging that the Proposal focuses on “the financial value and risks to the Company in its workforce.” This conclusion fails to acknowledge that the health crisis due to the COVID-19 is at the core of the Proposal and 'was a crucial factor influencing the decision to file the Proposal.

The current Proposal, because it is focusing on a high visibility controversy – the COVID-19 pandemic and its adverse impacts on front-line workers – and concerns raised by recent reported events, is non-excludable under Rule 14a-8(i)(7). The Staff precedents indicate that when the magnitude of a controversy relating to a company rises to the level of those addressed under the current Proposal, it led the Staff to find that the significant policy issue transcended ordinary business, even when the Proposal was related to an employment-related issue.

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<sup>9</sup> Release No. 34-40018 (May 21, 1998)

<sup>10</sup> Ibid.

<sup>11</sup> Exchange Act Release No. 40018 (May 26, 1998)

For instance, in *Amazon.com Inc.* (January 23, 2017), the Staff found that a proposal requesting the board to prepare a report on the use of criminal background checks in hiring and employment decisions for the Company’s employees, independent contractors and subcontracted workers transcended ordinary business matters. In *CorVel Corporation* (April 10, 2019), a proposal seeking a public report detailing the potential risks associated with omitting “sexual orientation” and “gender identity” from its written equal employment opportunity policy was considered by the Staff as transcending ordinary business matters. The Staff came to a similar conclusion in *National Fuel Gas Company* (November 18, 1999). The Proposal requested that the Board of Directors create, appoint, and direct a committee to issue a plan to eliminate the impact of discrimination in employment at the Company and its subsidiaries by increasing minority employment to reflect the demographic makeups of the customers, populations and places of business served.

On January 31, 2020, Secretary Alex M. Azar II declared Public Health Emergency “to aid the nation’s healthcare community in responding to 2019 novel coronavirus”.<sup>12</sup> The unprecedented risks that COVID-19 represents to the Public and the U.S economy have fueled widespread public debates about how American companies should respond to the health crisis and what the place of essential workers in the economy ought to be. In response to the significant increase of COVID-19 cases in some parts of the U.S, state governments have implemented measures aimed at curbing the spread of the virus. As a result, many economic activities were shutdown while those that were deemed “essential” remained open in many instances. The *Coronavirus Guidance for America* issued by President Donald Trump stated:

*If you work in a critical infrastructure industry, as defined by the Department of Homeland Security, such as healthcare services and pharmaceutical and food supply, you have a special responsibility to maintain your normal work schedule”. Later the Department of Homeland Security provided a list of “essential critical infrastructure workforce” that includes “restaurant carry-out and quick serve food operations – Carry-Out and delivery food employees”<sup>13</sup>.*

Fast-food workers across the country are an essential part of the food supplychain, and therefore, essential to the continuity of the economy, even during a challenging health crisis. Following this announcement, the public and the media engaged in widespread debate about the key role that food workers play in feeding America. Further, the debate shifted towards companies and governments’ responsibility to protect these workers and contributing to eradicating the virus' transmission and spread. Many workers spoke up to denunciate their poor working conditions and the lack of adequate measures in place to protect them while working in front-line businesses. This past year saw numerous essential workers who formed part of the food supply chain participate in strikes and demonstrations.<sup>14</sup>

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<sup>12</sup> <https://www.hhs.gov/about/news/2020/01/31/secretary-azar-declares-public-health-emergency-us-2019-novel-coronavirus.html>

<sup>13</sup> Department of Homeland Security. Memorandum on identification of essential critical infrastructure workers during Covid-19 response, available at: <https://www.cisa.gov/sites/default/files/publications/CISA-Guidance-on-Essential-Critical-Infrastructure-Workers-1-20-508c.pdf>

<sup>14</sup> Bloomberg Law. Covid-19 Has Workers Striking. Where Are the Unions? April 14, 2020, available at: <https://news.bloomberglaw.com/bloomberg-law-analysis/analysis-covid-19-has-workers-striking-where-are-the-unions>; CBC. U.S. Amazon and Instacart workers strike to protest COVID-19 hazards on the job. March 31, 2020, available at: <https://www.cbc.ca/news/business/amazon-instacart-coronavirus-1.5515868>; LA Times. Op-Ed: Coronavirus is unleashing righteous worker anger and a new wave of unionism. July 28,

## CONCLUSION

A report assessing the effectiveness of the Board's oversight of human capital management through the disclosure of material workforce metrics, in the context of emerging workforce-related risks and opportunities in the quick service restaurant sector is intended to demonstrate the board's responsiveness to this significant policy issue and to provide shareholders with confidence that this significant policy issue and the associated reputational, legal and operational is being adequately overseen by the Board.

Based on the foregoing, we believe it is clear that the Company has failed to provide basis for the conclusion that the Proposal is excludable from the 2021 proxy statement pursuant to Rule 14a-8(i)(7) and Rule 14a-8(i)(10). Therefore, we respectfully request the Staff to inform the Company that the SEC proxy rules require denial of the Company's no-action request.

In the event that the Staff should decide to concur with the Company, we respectfully request an opportunity to confer with the Staff.

Should you have any questions regarding this matter, please, contact Sarah Couturier-Tanoh at [scouturier-tanoh@share.ca](mailto:scouturier-tanoh@share.ca) or Anthony Schein at [aschein@share.ca](mailto:aschein@share.ca).

Sincerely,

Sarah Couturier-Tanoh

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2020, available at: <https://www.latimes.com/opinion/story/2020-07-28/coronavirus-workers-unions-employers-pandemic>; The Guardian. Strikes erupt as US essential workers demand protection amid pandemic. May 19, 2020, available at: <https://www.theguardian.com/world/2020/may/19/strikes-erupt-us-essential-workers-demand-better-protection-amid-pandemic>; NPR. Essential Workers Plan May Day Strikes; Others Demand End To COVID-19 Lockdowns. May 1, 2020, available at: <https://www.npr.org/sections/coronavirus-live-updates/2020/05/01/848931228/essential-workers-plan-may-day-strikes-others-demand-end-to-covid-19-lockdowns>

# EXHIBIT A

Starbucks Corporation  
Attention: Corporate Secretary  
401 Utah Avenue South  
Mail Stop S-LA1  
Seattle, Washington 98134



September 18, 2020

**Re: Shareholder Proposal for Circulation at 2021 Annual General Meeting (AGM)**

Dear Ms. Gonzalez;

On behalf of the Catherine Donnelly Foundation I am writing to give notice that pursuant to the 2020 Proxy Statement of Starbucks Corporation (the "Company") and Rule 14a-8 under the Securities Exchange Act of 1934, the Catherine Donnelly Foundation intends to present the attached proposal (the "Proposal") at the 2021 annual meeting of shareholders (the "Annual Meeting").

Attached is documentation from ScotiaMcLeod confirming that the Catherine Donnelly Foundation is the beneficial owner of 4875 shares (the "Shares") of the Company, and has held the Shares for over one year. In addition, the Catherine Donnelly Foundation intends to continue its ownership of the Shares through the date on which the Annual Meeting is held.

The Proposal is attached. I represent that the Catherine Donnelly Foundation or its agent intends to appear in person or by proxy at the Annual Meeting to present the Proposal. I declare that the Catherine Donnelly Foundation has no "material interest" other than that believed to be shared by stockholders of the Company generally. The Catherine Donnelly Foundation will promptly notify the Company in writing if any of this information changes.

We hereby request that the proposal and the enclosed supporting statement be included in, or attached to, the management proxy statement to be issued in respect of the 2021 Annual Meeting for consideration by shareholders. We further request that the proposal be identified on the Annual Meeting's form of proxy as a matter to be voted for or against by the beneficial and registered shareholders of the Company.

Please direct all questions and correspondence regarding the Proposal to Sarah Couturier-Tanoh, Senior Engagement Analyst at the Shareholder Association for Research and Education, at:

SHARE - Shareholder Association for Research & Education  
Suite 257 – 401 Richmond Street West, Toronto, ON M5V 3A8  
tel: 416-306-8073 e-mail: [scouturier-tanoh@share.ca](mailto:scouturier-tanoh@share.ca)

Sincerely,

MJ Sinha,  
Director of Finance & Investment  
Catherine Donnelly Foundation

12 Montcrest Boulevard  
Toronto, Ontario M4K 1J7

T: 416-461-2996 F: 416-465-4193  
[info@catherinedonnellyfoundation.org](mailto:info@catherinedonnellyfoundation.org)



**September 18, 2020**

**RE: Starbucks**

**ISIN: US8552441094**

**CUSIP: 855244109**

**Ticker: SBUX**

To Whom It May Concern:

Please be advised that we wish to confirm 4875 shares of the above security were continuously beneficially owned by The Catherine Donnelly Foundation for a period of one year (from September 19, 2019 to September 18, 2020) and held in the name of ScotiaMcleod through the Depository Trust Company REF #DTC5011.

The Catherine Donnelly Foundation has the authority to vote these shares at the upcoming 2021 annual general meeting of shareholders on the condition that they are still holding these shares as of the meeting record date.

Please do not hesitate to contact me if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "E Martin".

**Eleanor Martin, Administrative Associate**

ScotiaMcleod

416-862-5833

Eleanor.martin@scotiawealth.com

**Resolved:** That the board of directors report to shareholders, at reasonable cost and omitting proprietary information, on actions the company is taking to uphold decent work practices in the company's owned and franchisee operations, including:

1. Information on the company's overall approach and board-level oversight of human capital management in the context of emerging workforce-related risks and opportunities in the retail coffee industry; and
2. Comprehensive workforce metrics that effectively demonstrate the success and challenges the company faces in its management of human capital.

### **Supporting Statement**

The COVID-19 pandemic has caused unprecedented challenges to the economy, workers, communities and businesses. The virus has exposed how vulnerable and unprepared many companies were to address major business disruptions and protect the health and financial security of their employees. Workers in retail, food service and other front-line businesses demonstrated how essential their contribution is to the success of a company and the economy. They were branded "Covid heroes".

This experience has underscored investors' expectations for better human capital management across sectors. Demand for better corporate disclosure on human capital management is growing among investors and regulators. Jay Clayton, Chair of the SEC, said in April 2019 to the House Appropriations Subcommittee on Financial Services and General Governance that he "would like to see more disclosure from public companies on how they think about human capital."

Investors increasingly see human capital as a primary source of value for companies. By extension, effective management represents a source of value creation. A company's disclosure should reflect the importance of human capital in its strategy and operations. This is particularly material in customer-facing service industries where an employee's conduct and efficiency are critical to the customer experience and the company's reputation.

In recent years, Starbucks has been in the news for several widely-publicized issues related to workforce management, including:

- A class-action lawsuit on unpaid overtime, filed by former store managers. The filers sought damages of \$30 million CDN;
- An investigation, led by the New York State Attorney General on the company's sick leave practices for statutory violations;
- Multiple sexual harassment allegations and accusations that the company took inadequate measures to protect employees; and
- Accusations of racial discrimination after the wrongful arrest of two Black men in a Starbucks store.

Investors have identified significant gaps in Starbucks' human capital management. This gap, and a lack of transparency on related matters, create a reputational and legal risk that may negatively impact performance and long-term value.

Starbucks has not established roles and responsibilities for the workforce at the board-level. The company does not provide sufficient information to understand its approach to human capital management in its operations. Disclosure of financially material information, including comprehensive workforce metrics, would help investors to assess the effectiveness of the company's approach and the robustness of the board's oversight.

We urge you to support this proposal.

# 2020 Starbucks - Cover Letter

Final Audit Report

2020-09-18

Created:	2020-09-18
By:	Anthony Schein (aschein@share.ca)
Status:	Signed
Transaction ID:	CBJCHBCAABAAZgMRx3zBcbAF7cyuKpYop3wthQ6UfIZK

## "2020 Starbucks - Cover Letter" History

-  Document created by Anthony Schein (aschein@share.ca)  
2020-09-18 - 3:33:43 PM GMT- IP address: 76.10.183.244
-  Document emailed to Mritunjay Sinha (msinha@catherinedonnellyfoundation.org) for signature  
2020-09-18 - 3:35:02 PM GMT
-  Email viewed by Mritunjay Sinha (msinha@catherinedonnellyfoundation.org)  
2020-09-18 - 3:35:36 PM GMT- IP address: 24.246.59.61
-  Document e-signed by Mritunjay Sinha (msinha@catherinedonnellyfoundation.org)  
Signature Date: 2020-09-18 - 3:36:37 PM GMT - Time Source: server- IP address: 24.246.59.61
-  Agreement completed.  
2020-09-18 - 3:36:37 PM GMT

# **EXHIBIT B**

November 6, 2020

**VIA ELECTRONIC MAIL TO**  
[shareholderproposals@sec.gov](mailto:shareholderproposals@sec.gov)

Office of the Chief Counsel  
Division of Corporation Finance  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549

**Re: Starbucks Shareholder Proposal Submitted by SHARE**

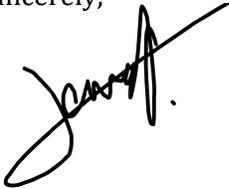
Ladies and Gentlemen:

SHARE, on behalf of the Catherine Donnelly Foundation (the "Proponent") have submitted a proposal for inclusion in Starbucks (the "Company"), proxy statement for the Company's 2021 Annual Meeting of Shareholders. The Company has submitted a no action request to the Commission dated November 3, 2020.

This is to notify the Division of Corporation Finance that the Proponent intends to submit a response to the Company's request. We believe that the proposal has not been substantially implemented as represented by the Company and that the proposal is appropriate for a shareholder vote. SHARE will submit its response on or about December 3, 2020. We respectfully request that the Staff not make a decision on this matter before it has reviewed our response.

Should you have questions or wish to discuss this matter, please contact me at +1 581 397 5721 or by email at [scouturier-tanoh@share.ca](mailto:scouturier-tanoh@share.ca).

Sincerely,



**Sarah Couturier-Tanoh**  
Shareholder Engagement Senior Analyst  
Shareholder Association for Research and Education (SHARE)

Cc: MJ Sinha, Catherine Donnelly Foundation  
Rachel Gonzalez, Starbucks Corporation  
Jennifer Kraft, Starbucks Corporation  
David Lopez, Cleary Gottlieb Steen & Hamilton LLP

# EXHIBIT C

# CLEARY GOTTlieb STEEN & HAMILTON LLP

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New York, NY 10006-1470

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DRAIG B. BROD	ADAM E. FLEISHER	MANUEL SILVA
NICOLAS GRABAR	SEAN A. O'NEAL	KYLE A. HARRIS
HOWARD S. ZELBO	GLENN P. MCGRORY	LINA BENSMAN
DAVID E. BRODSKY	MATTHEW P. SALERNO	ARON M. ZUCKERMAN
RICHARD J. COOPER	MICHAEL J. ALBANO	RESIDENT PARTNERS
JEFFREY S. LEWIS	VICTOR L. HOU	
PAUL J. SHIM	ROGER A. COOPER	SANDRA M. ROCKS
STEVEN L. WILNER	AMY R. SHAPIRO	JUDITH KASSEL
ANDRES DE LA CRUZ	JENNIFER KENNEDY PARK	PENELOPE L. CHRISTOPHOROU
DAVID C. LOPEZ	ELIZABETH LENAS	BOAZ S. MORAG
MICHAEL A. GERSTENZANG	LUKE A. BAREFOOT	MARY E. ALCOCK
LEV L. DASSIN	JONATHAN S. KOLODNER	HEIDE H. LGENFRITZ
JORGE U. JUANTORENA	DANIEL LLAN	KATHLEEN M. EMBERGER
MICHAEL D. WEINBERGER	MEYER H. FEDIDA	AVRAM E. LUFT
DAVID LEINWAND	ADRIAN R. LEIPSIC	ANDREW WEAVER
DIANA L. WOLLMAN	ELIZABETH VIGENS	HELENA K. GRANNIS
JEFFREY A. ROSENTHAL	ADAM J. BRENNEMAN	JOHN V. HARRISON
MICHAEL D. DAYAN	ARI D. MACKINNON	CAROLINE F. HAYDAY
CARMINE D. BOCCUZZI, JR.	JAMES E. LANGSTON	NEIL R. MARKEL
JEFFREY D. KARP	JARED GERBER	KENNETH S. BLAZEJEWSKI
KIMBERLY BROWN BLACKLOW	COLIN D. LLOYD	LAURA BAGARELLA
ROBERT J. RAYMOND	COREY M. GOODMAN	JONATHAN D.W. GIFFORD
SUNG K. KANG	RISHI ZUTSHI	SUSANNA E. PARKER
FRANCISCO L. CESTERO	JANE VANLARE	DAVID W.S. YUDIN
FRANCESCA L. ODELL	DAVID H. HERRINGTON	RESIDENT COUNSEL
WILLIAM L. MCRAE	KIMBERLY R. SPOERRI	
JASON FACTOR	AARON J. MEYERS	LOUISE M. PARENT
JOON H. KIM	DANIEL C. REYNOLDS	OF COUNSEL
MARGARET S. BEPONIS	ABENA A. MAINOO	
LISA M. SCHWEITZER	HUGH C. CONROY, JR.	
JUAN G. GIRALDEZ	JOSEPH LANZKRON	
DUANE MCLAUGHLIN	MAURICER GINDI	
BREON S. PEACE	KATHERINE R. REAVES	

NOVEMBER 3, 2020

VIA E-MAIL (shareholderproposals@sec.gov)

U.S. Securities and Exchange Commission  
Division of Corporation Finance  
Office of Chief Counsel  
100 F Street, N.E.  
Washington, DC 20549

## Re: Stockholder Proposal Submitted by Catherine Donnelly Foundation

Ladies and Gentlemen:

We are writing on behalf of our client, Starbucks Corporation, a Washington corporation (the "Company"), pursuant to Rule 14a-8(j) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), to notify the staff of the Division of Corporation Finance (the "Staff") of the Securities and Exchange Commission (the "Commission") of the Company's intention to exclude the shareholder proposal (the "Proposal") and supporting statement (the "Supporting Statement") submitted by the Catherine Donnelly Foundation (the "Proponent"), by a letter dated September 18, 2020, from the Company's proxy statement for its 2021 annual meeting of shareholders (the "Proxy Statement").

In accordance with Section C of SEC Staff Legal Bulletin No. 14D (Nov. 7, 2008) ("SLB 14D"), we are emailing this letter and its attachments to the Staff at shareholderproposals@sec.gov. In accordance with Rule 14a-8(j), we are simultaneously sending a copy of this letter and its attachments to the Proponent as notice of the Company's intent to omit the Proposal from the Proxy Statement. The Company expects to file its definitive Proxy Statement with the Commission on or about January 22, 2021, and this letter is being filed with the Commission no later than 80 calendar days before that date in accordance with

Rule 14a-8(j). Rule 14a-8(k) and Section E of SLB 14D provide that shareholder proponents are required to send companies a copy of any correspondence that the shareholder proponent elects to submit to the Commission or the Staff. Accordingly, we are taking this opportunity to remind the Proponent that if the Proponent submits correspondence to the Commission or the Staff with respect to the Proposal, a copy of that correspondence should concurrently be furnished to the undersigned on behalf of the Company.

### **THE PROPOSAL**

The Proposal and Supporting Statement are attached hereto as Exhibit A. The Proposal states:

**Resolved**, that the board of directors report to shareholders, at reasonable cost and omitting proprietary information, on actions the company is taking to uphold decent work practices in the Company's owned and franchisee operations, including:

1. Information on the Company's overall approach and board-level oversight of human capital management in the context of emerging workforce-related risks and opportunities in the retail coffee industry; and
2. Comprehensive workforce metrics that effectively demonstrate the success and challenges the company faces in its management of human capital.

### **BASES FOR EXCLUSION**

In accordance with Rule 14a-8, we hereby respectfully request that the Staff confirm that no enforcement action will be recommended against the Company if the Proposal and the Supporting Statement are omitted from the Proxy Statement for the following, separately sufficient, reasons:

1. The Proposal may be omitted pursuant to Rule 14a-8(i)(10) because the Company has substantially implemented the Proposal;
2. The Proposal may be omitted pursuant to Rule 14a-8(i)(7) because it deals with a matter relating to the Company's ordinary business operations;

### **ANALYSIS**

#### **I. Under Rule 14a-8(i)(10), the Proposal may be omitted because it has been substantially implemented by the Company.**

Rule 14a-8(i)(10) permits a company to exclude a proposal from its proxy materials if the company "has already substantially implemented the proposal." The determination that a company has substantially implemented the proposal depends upon whether the company's policies, practices and procedures "compare favorably with the guidelines of the proposal." See, Albertson's Inc. (avail. Mar. 23, 2005); The Talbots, Inc. (avail. Apr. 5, 2002); Cisco Systems, Inc. (avail. Aug. 11, 2003); and Texaco, Inc. (avail. Mar. 28, 1991). In other

words, substantial implementation under Rule 14a-8(i)(10) requires a company's actions to have satisfactorily addressed the underlying concerns and "essential objectives" of the proposal. See, The Talbots, Inc. (avail. Apr. 5, 2002) (permitting omission of a proposal that required the establishment of a code of corporate conduct regarding human rights because the company had an existing Standard for Business Practice and Code of Conduct). Differences between a company's actions and a proposal are permitted so long as the company's actions satisfactorily address the proposal's essential objectives. See, Release No. 34-20091 (Aug. 16, 1983); see also Release No. 34-40018 (May 26, 1998) (the "1998 Release"). In Mondelez International Inc. (avail. Mar. 7, 2014), the Staff concurred with the exclusion on substantial implementation grounds of a proposal requesting a report on the company's process for identifying and analyzing potential and actual human rights risks in the company's operations and supply chain where the company met the broader essential objective, though not the specific disclosure request, through disclosing the company's risk management process and the framework it used to assess potential human rights risks). In Walgreen Co. (avail. Sep. 26, 2013), the Staff concurred with the exclusion on substantial implementation grounds of a proposal requesting the elimination of supermajority voting requirements in the company's governing documents where the company had eliminated all but one of the supermajority voting requirements. See also, Pfizer Inc. (avail. Jan. 11, 2013) (concurring with the exclusion on substantial implementation grounds of a proposal requesting a report detailing all measures implemented to reduce the use of animals and specific plans to promote alternatives to animal use where the company made publicly available on its website a two-page "Pfizer Guidelines and Policy on Laboratory Animal Care" and cited its compliance with the Animal Welfare Act).

In addition, the Staff has consistently concurred with the exclusion of shareholder proposals requesting reports where the company has already publicly disclosed the subject matter of the report, even if the disclosure was not in the exact form set forth in the request. See, Amazon.com, Inc. (avail. Mar. 27, 2020) (concurring in the exclusion on substantial implementation grounds of a proposal requesting a report assessing the feasibility of integrating sustainability metrics into senior executive performance measures or vesting conditions where the company's prior year proxy statement and statement in opposition explained why the company does not integrate performance measures or vesting conditions into compensation arrangements); Hess Corp. (avail. Apr. 11, 2019) (concurring in the exclusion on substantial implementation grounds of a proposal requesting a report on how the company can reduce its carbon footprint in alignment with greenhouse gas reductions necessary to achieve the Paris Agreement's goal where the company had met the essential objective through its most recent Sustainability Report, its response to a CDP Climate Change Questionnaire and its recent Investor Day Presentation); MGM Resorts International (avail. Feb. 28, 2012) (concurring in the exclusion on substantial implementation grounds of a proposal requesting a report on the company's sustainability policies and performance, including multiple, objective statistical indicators, where the company published an annual sustainability report).

The Proposal and Supporting Statement make clear that the underlying concern or "essential objective" of the Proposal is to ensure that shareholders are informed about the Company's policies and practices regarding its workforce. The Supporting Statement states that "disclosure of financially material information, including comprehensive workforce metrics, would help investors to assess the effectiveness of the Company's approach and robustness of the board's oversight." (See Exhibit A).

The Company takes the Proposal's underlying concern and essential objective seriously and has made numerous disclosure on this precise subject matter including: (i) the Company's Equal Employment Opportunity Policy (the "EEOP") provides that all Company employees ("partners") will be treated fairly, without regard to race, color, religion, sex, national origin, age, disability, sexual orientation, marital status, veteran status, gender identity and expression, genetic information or any other basis protected by law (See Exhibit B); (ii) the Company's 2020 Notice of Annual Meeting of Shareholders & Proxy Statement (the "2020 Proxy Statement") reiterates the Company's long-standing commitment to invest in its workforce and reviews the Company's approach to human capital management (See Exhibit C for relevant 2020 Proxy Statement excerpts); (iii) the Company's Civil Rights Assessment Reports issued in 2019 (the "2019 Report") and in February 2020 (the "2020 Report") discuss the actions the Company has taken to advance civil rights, equity, diversity and inclusion in its workforce and an assessment of success and challenges of such actions (See Exhibit D); and (iv) additional information regarding the Company's approach to managing its workforce, the initiatives the Company has taken and quantitative and qualitative assessments of the Company's progress towards its workforce management goals are also publicly disclosed on the Company's website<sup>1</sup> and will be included in the Company's Annual Report on Form 10-K for the year ended September 30, 2020, which will be filed with the Commission in November 2020 (collectively, with the EEOP, the 2020 Proxy Statement, the 2019 Report and the 2020 Report, the "Public Disclosures"). As further described below, the Company has substantially implemented the essential objective of the Proposal through its extensive Public Disclosures regarding its workplace policies and practices.

a. The Company's Public Disclosures describe the Company's overall approach to and board-level oversight of human capital management.

The first prong of the Proposal requests that the Company provide a report that includes information on the Company's overall approach to and board-level oversight of human capital management in the context of emerging workforce-related risks and opportunities in the retail coffee industry. The Company consistently holds that the strength of its workforce is one of the significant contributors to the Company's success as a global brand and one of the pillars of the Company's strategy is investing and managing its workforce effectively to differentiate its brand, products and services in the retail coffee market. The 2020 Proxy Statement describes the Company's approach towards the development and management of its workforce focusing on creating pathways to opportunity. For example, as described in the 2020 Proxy Statement, the Company's initiatives include:

- Recognize and Reward Partners: Offering comprehensive benefits package to eligible full-time and part-time partners (including 401(k) match, health, life and disability insurance, tuition-free college degree program, subsidized stock purchase plan, stock equity program, paid parental leave, child and adult back-up care, and mental health initiatives) in the U.S. (with similar customized and competitive benefits for international partners). Customizing compensation

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<sup>1</sup> See, e.g., <https://stories.starbucks.com/stories/2020/workforce-diversity-at-starbucks/>;  
<https://www.starbucks.com/careers/working-at-starbucks/culture-and-values>;  
<https://www.starbucks.com/careers/working-at-starbucks/benefits-and-perks>.

packages to remain competitive and responsive to partners' feedback internationally.

- **Diversity, Equity and Inclusion:** Committing to equitable hiring practices consistent with the Company's EEO and creating a welcoming and inclusive third place in support of the Company's Mission and Values. Commissioning and publishing the 2019 Report and 2020 Report evaluating the Company's ongoing efforts relating to inclusion, diversity and equity in the workplace and recommendations to strengthen the Company's current programs, policies and initiatives. Ensuring that senior management is held accountable for implementing the Company's workforce strategies and, as recently publicly announced, beginning in fiscal year 2021, incorporating goals around building and retaining inclusive and diverse partner teams into executive pay and executive compensation programs.
- **Global Gender Pay Equity:** Committing to achieving and maintaining gender pay equity in its operations around the world.
- **Starbucks College Achievement Plan:** Offering eligible U.S. partners who work at least twenty hours a week 100 percent tuition coverage for a first time bachelor's degree from Arizona State University since 2015. One of the goals of this program is to expand access to higher education to those who would be the first in their families to attend college.
- **Training and Other Educational Resources:** Committing to providing partners the opportunities for education such as the 15-course "To Be Welcoming" curriculum available to all partners, to foster an internal culture of equity and inclusion in its workforce.
- **Diverse Hiring and Recruitment:** Hiring efforts that seek to expand the pipeline of diverse candidates and build a more diverse workforce and strengthen local communities by providing employment and transferable skills to populations facing barriers, including setting hiring targets for veterans and military spouses, refugees and opportunity youth.

The Company's Standards of Business Conduct further describes the Company's overall approach to workforce management as one that is based on: ensuring equal opportunity in its hiring practices, creating a diverse and inclusive work environment free of harassment, bullying and discrimination, ensuring workplace health, safety and security and adhering to applicable wage and hour laws and regulations.

Consistent with the Company's Missions and Values and growing out of listening sessions with its partners in response to broader social issues, the Company publicly announced its goals for inclusion, diversity and equity in its workforce in 2018<sup>2</sup> and, most recently, in

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<sup>2</sup> See, <https://stories.starbucks.com/stories/2018/beyond-may-29-lessons-from-starbucks-anti-bias-training-and-whats-next/>.

October 2020 (the “October Announcement”).<sup>3</sup> In the October Announcement and the accompanying CEO’s public letter to partners, the Company reiterates its three principles in areas of inclusion, diversity and equity:

- Be intentional about the action the Company takes and how they line up with the Company’s Mission and Values.
- Commit to transparency with all stakeholders about the Company’s goals and initiatives in promoting inclusion, diversity and equity.
- Hold itself accountable to the progress towards its goals.

As part of the Company’s adoption of the three principles, the October Announcement also sets forth the actions the Company has committed to undertake, including establishing an internal governance structure to integrate Inclusion and Diversity throughout the organization, beginning with an Inclusion and Diversity Executive Council in the first quarter of fiscal year 2021 and targeting employment of 30% Black, indigenous and people of color partners at the corporate level and 40% in retail and manufacturing by 2025. In addition to these commitments, as disclosed in the October Announcement, the Company will incorporate measurements focused on building inclusive and diverse teams into its executive compensation programs beginning in fiscal year 2021.

The Company believes that second only to the importance of its human capital is the responsibility for its oversight by the Board and the Company’s senior management. As set forth in the 2020 Proxy Statement, the Company includes human capital management experience in its ten key areas considered when nominating directors. The Company’s Nominating and Corporate Governance Committee annually reviews and assesses the effectiveness of the Company’s social responsibility policies, goals and programs (including with respect to the Company’s partners) through the annual Global Social Impact Performance Report, and makes recommendations as deemed appropriate based on such review and assessment. The Company’s Compensation and Management Development Committee is responsible for periodically reviewing the Company partner equity plans and human resources programs and initiatives, including healthcare and other benefits. The Company’s Audit and Compliance Committee monitors risks related to labor and human capital management. These committees report and make recommendations on workplace management matters to the Board as appropriate and Board discussions take place regularly on topics such as how the Company should attract, retain and develop a workforce that aligns with the Company’s values and strategies. Senior management is held accountable for implementing the Company’s workforce strategies and, as noted in the preceding paragraph, beginning in fiscal year 2021, executive compensation programs will incorporate goals around building and retaining inclusive and diverse partner teams. The Compensation and Management Development Committee will have oversight responsibility for these programs for the Company’s executive officers. In summary, the Company’s Public Disclosures substantially implement the Proposal’s essential objective of

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<sup>3</sup> See, <https://stories.starbucks.com/stories/2020/our-commitment-to-inclusion-diversity-and-equity-at-starbucks/>.

informing shareholders of the Company's overall approach to and board-level oversight of human capital management.

b. The Company's Public Disclosures on workplace metrics and performance measurements allow investors to assess the effectiveness of the Company's workplace practices.

The second prong of the Proposal requests that the Company provide a report that includes comprehensive workforce metrics that demonstrate the success and challenges the Company faces in its workforce management. As previously stated, the 2019 Report presents findings on the Company's programs, policies and initiatives related to civil rights, equity, diversity and inclusion in its workforce, as well as updates on the Company's initiatives and commitments and recommendations to strengthen the Company's programs, policies and initiatives. The 2020 Report provides an objective third-party evaluation of the Company's ongoing efforts relating to workforce management using the findings and recommendations contained in the 2019 Report as the benchmark for the evaluation.

The 2020 Report focuses on various aspects of workforce management including, customer relations, store operations, partner resources, partner benefits, workforce diversity and community and social impact initiatives. The 2020 Report discloses the actions the Company has taken to (i) sustain a welcoming environment for its workforce (a "third place"), (ii) foster an internal culture of equity and inclusion, (iii) enforce its anti-discrimination policy and enhance related training, (iv) strengthen communities and (v) lead in best practices for eliminating bias. In its evaluation, the 2020 Report discusses metrics and performance measurements showing the successes in the Company's workforce management practices and recommendations for where the Company can direct its future efforts. For example, the 2020 Report noted the Company's achievements in:

- 100% gender pay equity in the U.S., Canada and China, continuing to expand the focus globally and joining 25 U.S. employers on Equal Pay Day to pledge to uphold shared set of equal pay principles.
- Meeting its goal of hiring 25,000 veterans and military spouses a year early, with a new plan to hire 5,000 additional veterans and military spouses every year.
- Hosting a Leadership Experience conference in 2019 bringing together 12,000 store managers and other field leaders for presentations, trainings and engagement with the Company's senior leadership.
- Expanding mental health and family expansion benefits, including updating the "Third Place Development Series," featuring diverse speakers on topics ranging from mindful decision making to mental health.
- Updating trainings to address disruptive behaviors in stores and revising anti-discrimination and anti-harassment policies.

- Commissioning Arizona State University to develop, in collaboration with more than 50 subject-matter experts, a 15-part curriculum on understanding implicit bias.
- Hiring its first Chief Inclusion and Diversity Officer to guide hiring, development, leadership, and compensation practices across the company.
- Committing to rolling out an enhanced applicant tracking system in 2020 to build more diverse teams and help internal talent advance and develop.
- Being recognized as a Best Place to Work for Disability Inclusion by scoring 100 on the Disability Equality Index for a fourth year.
- Distributing \$2.4 million in grants from the CUP Fund, an emergency financial assistance program started by partners, to its U.S. partners in fiscal 2019.

The Company has made public its current workforce diversity data and EEO-1 report since 2016.<sup>4</sup> The Company was also one of the 34 companies in the S&P 100 to commit to disclosing its Consolidated EEO-1 Report, publicly disclosing the composition of its workforce by race, ethnicity and gender.

The Supporting Statement cites the challenges caused by the COVID-19 pandemic and the essential contributions that workers in retail, food services and other front-line business made as underscoring investors' expectations for better human capital management. During the COVID-19 pandemic, the Company issued public letters to partners disclosing the Company's actions to protect its partners and recognize the important role partners play in the success of the Company. As disclosed on its website, the Company adopted comprehensive workforce policies, including providing Service Pay for partners choosing to work and Catastrophe Pay for partners who have been diagnosed or exposed to COVID-19 through May 31, implementing a new COVID-19 Leave of Absence policy for partners who prefer to take unpaid leave through the second fiscal quarter of 2021 while continuing to maintain existing benefits.<sup>5</sup> The Company also expanded mental health<sup>6</sup>, childcare, food and beverage benefits for partners.<sup>7</sup> On April 8, 2020, the Company issued a press release announcing its commitment of \$10 million to establish the Starbucks Global Partner Emergency Relief Program, as part of its ongoing efforts to support its workforce around the world impacted by COVID-19.<sup>8</sup> In addition, on November 2, 2020, the Company announced to its U.S. store partners a 10% to 11% pay increase, effective December 14, 2020, in recognition of the contribution its store partners made

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<sup>4</sup> See, <https://stories.starbucks.com/stories/2020/workforce-diversity-at-starbucks/>.

<sup>5</sup> See, <https://stories.starbucks.com/press/2020/what-customers-need-to-know-about-starbucks-response-to-covid-19/>.

<sup>6</sup> See, <https://stories.starbucks.com/stories/2020/starbucks-announces-reimagined-mental-health-care-for-u-s-partners/> (announcing a new mental health benefit for U.S. partners).

<sup>7</sup> See, <https://stories.starbucks.com/stories/2020/a-letter-to-partners-comprehensive-partner-care-as-we-adapt-to-covid-19/> (announcing the expansion of the Company's Care@Work program and doubling backup days from 10 to 20 days for U.S. partners).

<sup>8</sup> See, <https://stories.starbucks.com/press/2020/starbucks-commits-10m-usd-in-covid-19-relief-for-partners-around-the-world/>.

to the Company's financial performance and an increase to the premium the Company pays above minimum wage in each of its markets.

The Company's Public Disclosures demonstrate that the Company has substantially implemented the Proposal by satisfying its essential objective. Specifically, the Company, through its Public Disclosures, has provided and intends to continue to provide its human capital management practices and detailed self-assessment of the successes and challenges in the implementation of such practices. The Company respectfully requests the Staff's concurrence in the omission of the Proposal as being substantially implemented pursuant to Rule 14a-8(i)(10).

**II. Under Rule 14a-8(i)(7), the Proposal may be omitted because it deals with a matter relating to the Company's ordinary business operations.**

Rule 14a-8(i)(7) provides that a shareholder proposal may be omitted from a proxy statement "[i]f the proposal deals with a matter relating to the company's ordinary business operations." When adopting amendments to Rule 14a-8 in 1998, the Commission explained that the policy underlying the ordinary business exclusion is "to confine the resolution of ordinary business problems to management and the Board of directors, since it is impracticable for shareholders to decide how to solve such problems at an annual shareholders meeting." 1998 Release.

The 1998 Release describes the two "central considerations" for the ordinary business exclusion. The first relates to the subject matter of the proposal. The Commission states that certain tasks are "so fundamental to management's ability to run a company on a day-to-day basis" that they could not, as a practical matter, be subject to direct stockholder oversight. Examples of the tasks cited by the Commission include "management of the workforce, such as the hiring, promotion, and termination of employees, decisions on production quality and quantity, and the retention of suppliers." 1998 Release. The second consideration "relates to the degree to which the proposal seeks to 'micro-manage' the company by probing too deeply into matters of a complex nature upon which stockholders, as a group, would not be in a position to make an informed judgment."

A proposal framed in the form of a request for a report does not change the nature of the proposal. The Commission has stated that a proposal requesting the dissemination of a report may be excludable under Rule 14a-8(i)(7) if the subject matter of the report is within the ordinary business of the issuer. See Exchange Act Release No. 20091 (Aug. 16, 1983).

a. The Proposal is excludable because it relates to the Company's relationship with its partners.

The Staff has regularly concurred that shareholder proposals relating to a company's management of its workforce or to the relationship between the Company and its employees may be excluded under Rule 14a-8(i)(7). See Amazon.com, Inc. (avail. Apr. 1, 2020) (concurring in the exclusion of a proposal requesting a report on the company's steps taken to reduce the risk of accidents, including the board's oversight process of safety management, staffing levels, and inspection and maintenance under Rule 14a-8(i)(7) for focusing on

workplace accident prevention, an ordinary business matter); Walmart Inc. (avail. Apr. 4, 2019) (concurring in the exclusion of a proposal requesting a report evaluating the risk of discrimination that may result from the company's employee leaves of absence policies under Rule 14a-8(i)(7) for relating generally to the company's management of its workforce, an ordinary business matter); Merck & Co., Inc. (avail. Feb. 16, 2016) (concurring in the exclusion of a proposal requesting that the company adopt certain procedures for hiring and promoting employees and stating that "proposals concerning a company's management of its workforce are generally excludable under Rule 14a-8(i)(7)"); Pilgrim's Pride Corp. (avail. Feb. 25, 2016) (concurring in the exclusion of a proposal requesting a report describing the company's policies, practices, performance and improvement targets related to occupational health and safety under Rule 14a-8(i)(7) for relating to workplace safety, an ordinary business matter); United Technologies Co. (avail. Feb. 19, 1993) (concurring in the exclusion on ordinary business grounds of a proposal directed at employment policies and practices with respect to non-executive workforce for relating to the conduct of the company's ordinary business operations).

As described above, the Company views the strength of its workforce as integral to the success of its business and, as demonstrated by the Company's comprehensive partner health and safety and leave of absence policies, is committed to adopting robust workforce management policies and practices. One of the Company's core business operations is the management of and investment in its partners to ensure the Company can differentiate its brand, products and services in the competitive retail coffee market. The Proposal implicates every aspect of the Company's management of its workforce and relationship with its partners. Producing comprehensive workforce metrics requires ongoing analysis of all available operational, financial, business, regulatory and legal information relating to the Company's workplace and its partners.

The practices and policies the Company decides to adopt in managing its workforce and the review of the success and challenges pertaining to the implementation of such practices are matters that require the judgment of an experienced management team who has the necessary capability and specialized knowledge to evaluate matters relating to the day-to-day management of the Company's more than 349,000 partners worldwide. Therefore, as in Amazon.com Inc., Walmart Inc., Merck & Co., and the other precedents discussed above, because workforce management is an integral and routine element of the Company's day-to-day business, the Proposal may be excluded under Rule 14a-8(i)(7) as relating to the Company's ordinary business operations.

b. The Proposal is excludable because it does not implicate a significant policy issue.

The 1998 Release distinguishes proposals pertaining to ordinary business matters from those involving "significant social policy issues," the latter of which are not excludable under Rule 14a-8(i)(7) because they "transcend the day-to-day business matters and raise policy issues so significant that it would be appropriate for a shareholder vote." When assessing whether the focus of the proposals is a significant social policy issue, the Staff considers the terms of the proposal and its supporting statement as a whole. See Staff Legal Bulletin No. 14C (Jun. 28, 2005).

The focus of the Proposal is on the Company's management of its workforce. The Supporting Statement notes that "[i]nvestors increasingly see human capital as a primary source of value for companies," and that "effective management represents a source of value creation." The Supporting Statement further notes that "a company's disclosure should reflect the importance of human capital in its strategy and operations." These statements make clear that the Proposal's focus is on the financial value and risks to the Company in its workforce management, which encompasses matters relating to hiring, retaining, developing, training and communicating with its workforce. The Proposal does not relate to any significant policy issues that transcend the day-to-day operations of the Company.

In addition, as described above, the Company has made robust Public Disclosures relating to its human capital management policies and practices. These disclosures diminish the significance of any policy issue otherwise presented by the Proposal to such an extent that the Proposal does not present a policy issue that is so significant to the Company such that it would be appropriate for a shareholder vote. Any difference that may exist between the Company's existing disclosures and the report that the Proposal is requesting is unlikely to be material to the shareholders of the Company.

Further, the Staff has found that a proposal may be excluded when it broadly focuses on ordinary business matters, even if it also touches on a significant policy issue. See Union Pacific Corp. (avail. Feb. 25, 2008) (concurring in the exclusion on ordinary business grounds of a proposal requesting disclosures of the company's efforts to safeguard the company's operations from terrorist attacks and other homeland security incidents because it included matters relating to the company's ordinary business operations despite certain aspects of the proposal that might be deemed to implicate significant policy issues); General Electric Co. (avail. Feb. 3, 2005) (concurring in the exclusion on ordinary business grounds of a proposal requesting a statement providing information on job elimination and relocation of U.S.-based jobs to foreign countries because it related to the company's ordinary business operations (i.e. management of its workforce) even though the Staff had previously concluded that certain employment-related proposals are significant social issues). As in Union Pacific Corp. and General Electric Co., even if certain aspects of the Company's human capital management practices and policies were deemed to implicate significant policy issues, which the Company does not believe is the case, the Proposal's broad request includes matters relating to the Company's ordinary business operations and does not transcend the day-to-day operations of the Company, and as such, the Proposal is properly excludable under Rule 14a-8(i)(7).

c. The Proposal seeks to micro-manage the Company's ordinary business operations.

The Staff has stated that when considering whether a proposal "micro-manages" a company, it looks at "whether the proposal seeks intricate detail or imposes a specific strategy, method, action, outcome or timeline for addressing an issue, thereby supplanting the judgment of management and the board." SEC Staff Legal Bulletin No. 14K (Oct. 16, 2019).

The Proposal seeks to micro-manage the Board by attempting to specify the manner in which these disclosures are made (i.e. by requesting that the Board provide a report including comprehensive workforce metrics demonstrating successes and challenges faced in the

Company's management of human capital). As discussed above, the Company's Public Disclosures address the Proposal's request for disclosures relating to the Company's human capital management practices and policies, and do so in great detail.

In addition, on August 26, 2020, the Commission adopted amendments to Item 101 of Regulation S-K, which requires companies to disclose material "human capital measures or objectives that the [company] focuses on in managing the business." The Company will include this disclosure in its Annual Report on Form 10-K for the year ended September 30, 2020, which will be filed with the Commission in November 2020. In the final rule, the Commission declined to define "human capital," stating that the term "may evolve over time and may be defined by different companies in ways that are industry specific." The Commission also declined to include prescriptive human capital metrics, stating that "the exact measures and objectives included in human capital management disclosure may evolve over time and may depend, and vary significantly, based on factors such as the industry, the various regions or jurisdictions in which the [company] operates...and other conditions that affect human capital resources." In addition, the Commission notes that its "principles-based approach affords [companies] the flexibility to tailor their disclosures to their unique circumstances, including by providing disclosure in accordance with some or all of the components of any current or future standard or framework that facilitates human capital resource disclosure that is material to the understanding of the [company's] business taken as a whole." Release No. 33-10825 (Aug. 26, 2020).

In making these statements, the Commission has provided companies the discretion to determine the content of its human capital management disclosure. Therefore, the Proposal seeks to dictate the content and manner of disclosure that the Commission has stated, given the evolving nature of human capital management and variability in how human capital management is managed, the Company would be better positioned to determine itself. Further, the Company and the Board are currently engaged in assessing these disclosure requirements and putting together the appropriate disclosure that would be material and specific to the Company in addition to the Company's existing Public Disclosures.

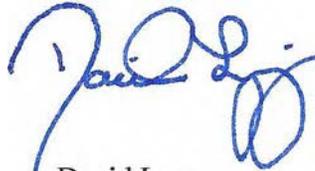
In summary, the Proposal attempts to micro-manage the Company by directing the Board to disclose aspects of the Company's workplace management practices that may not be material and that relate to the Company's day-to-day ordinary business matters. These day-to-day matters should be reserved for the Company's management and Board. As a result, the Proposal may be properly excluded pursuant to Rule 14a-8(i)(7) because it seeks to micro-manage the Company.

\* \* \* \* \*

## Conclusion

By copy of this letter, the Proponents are being notified that for the reasons set forth herein the Company intends to omit the Proposal and Supporting Statement from its Proxy Statement. We respectfully request that the Staff confirm that it will not recommend any enforcement action if the Company omits the Proposal and Supporting Statement from its Proxy Statement. If we can be of assistance in this matter, please do not hesitate to call me.

Sincerely,



David Lopez

## Enclosures

cc: MJ Sinha, Catherine Donnelly Foundation  
Sarah Couturier-Tanoh, Shareholder Association for Research and Education  
Rachel Gonzalez, Starbucks Corporation  
Jennifer Kraft, Starbucks Corporation

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NOVEMBER 3, 2020

VIA E-MAIL (shareholderproposals@sec.gov)

U.S. Securities and Exchange Commission  
Division of Corporation Finance  
Office of Chief Counsel  
100 F Street, N.E.  
Washington, DC 20549

## Re: Stockholder Proposal Submitted by Catherine Donnelly Foundation

Ladies and Gentlemen:

We are writing on behalf of our client, Starbucks Corporation, a Washington corporation (the "Company"), pursuant to Rule 14a-8(j) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), to notify the staff of the Division of Corporation Finance (the "Staff") of the Securities and Exchange Commission (the "Commission") of the Company's intention to exclude the shareholder proposal (the "Proposal") and supporting statement (the "Supporting Statement") submitted by the Catherine Donnelly Foundation (the "Proponent"), by a letter dated September 18, 2020, from the Company's proxy statement for its 2021 annual meeting of shareholders (the "Proxy Statement").

In accordance with Section C of SEC Staff Legal Bulletin No. 14D (Nov. 7, 2008) ("SLB 14D"), we are emailing this letter and its attachments to the Staff at shareholderproposals@sec.gov. In accordance with Rule 14a-8(j), we are simultaneously sending a copy of this letter and its attachments to the Proponent as notice of the Company's intent to omit the Proposal from the Proxy Statement. The Company expects to file its definitive Proxy Statement with the Commission on or about January 22, 2021, and this letter is being filed with the Commission no later than 80 calendar days before that date in accordance with

Rule 14a-8(j). Rule 14a-8(k) and Section E of SLB 14D provide that shareholder proponents are required to send companies a copy of any correspondence that the shareholder proponent elects to submit to the Commission or the Staff. Accordingly, we are taking this opportunity to remind the Proponent that if the Proponent submits correspondence to the Commission or the Staff with respect to the Proposal, a copy of that correspondence should concurrently be furnished to the undersigned on behalf of the Company.

### **THE PROPOSAL**

The Proposal and Supporting Statement are attached hereto as Exhibit A. The Proposal states:

**Resolved**, that the board of directors report to shareholders, at reasonable cost and omitting proprietary information, on actions the company is taking to uphold decent work practices in the Company's owned and franchisee operations, including:

1. Information on the Company's overall approach and board-level oversight of human capital management in the context of emerging workforce-related risks and opportunities in the retail coffee industry; and
2. Comprehensive workforce metrics that effectively demonstrate the success and challenges the company faces in its management of human capital.

### **BASES FOR EXCLUSION**

In accordance with Rule 14a-8, we hereby respectfully request that the Staff confirm that no enforcement action will be recommended against the Company if the Proposal and the Supporting Statement are omitted from the Proxy Statement for the following, separately sufficient, reasons:

1. The Proposal may be omitted pursuant to Rule 14a-8(i)(10) because the Company has substantially implemented the Proposal;
2. The Proposal may be omitted pursuant to Rule 14a-8(i)(7) because it deals with a matter relating to the Company's ordinary business operations;

### **ANALYSIS**

#### **I. Under Rule 14a-8(i)(10), the Proposal may be omitted because it has been substantially implemented by the Company.**

Rule 14a-8(i)(10) permits a company to exclude a proposal from its proxy materials if the company "has already substantially implemented the proposal." The determination that a company has substantially implemented the proposal depends upon whether the company's policies, practices and procedures "compare favorably with the guidelines of the proposal." See, Albertson's Inc. (avail. Mar. 23, 2005); The Talbots, Inc. (avail. Apr. 5, 2002); Cisco Systems, Inc. (avail. Aug. 11, 2003); and Texaco, Inc. (avail. Mar. 28, 1991). In other

words, substantial implementation under Rule 14a-8(i)(10) requires a company's actions to have satisfactorily addressed the underlying concerns and "essential objectives" of the proposal. See, The Talbots, Inc. (avail. Apr. 5, 2002) (permitting omission of a proposal that required the establishment of a code of corporate conduct regarding human rights because the company had an existing Standard for Business Practice and Code of Conduct). Differences between a company's actions and a proposal are permitted so long as the company's actions satisfactorily address the proposal's essential objectives. See, Release No. 34-20091 (Aug. 16, 1983); see also Release No. 34-40018 (May 26, 1998) (the "1998 Release"). In Mondelez International Inc. (avail. Mar. 7, 2014), the Staff concurred with the exclusion on substantial implementation grounds of a proposal requesting a report on the company's process for identifying and analyzing potential and actual human rights risks in the company's operations and supply chain where the company met the broader essential objective, though not the specific disclosure request, through disclosing the company's risk management process and the framework it used to assess potential human rights risks). In Walgreen Co. (avail. Sep. 26, 2013), the Staff concurred with the exclusion on substantial implementation grounds of a proposal requesting the elimination of supermajority voting requirements in the company's governing documents where the company had eliminated all but one of the supermajority voting requirements. See also, Pfizer Inc. (avail. Jan. 11, 2013) (concurring with the exclusion on substantial implementation grounds of a proposal requesting a report detailing all measures implemented to reduce the use of animals and specific plans to promote alternatives to animal use where the company made publicly available on its website a two-page "Pfizer Guidelines and Policy on Laboratory Animal Care" and cited its compliance with the Animal Welfare Act).

In addition, the Staff has consistently concurred with the exclusion of shareholder proposals requesting reports where the company has already publicly disclosed the subject matter of the report, even if the disclosure was not in the exact form set forth in the request. See, Amazon.com, Inc. (avail. Mar. 27, 2020) (concurring in the exclusion on substantial implementation grounds of a proposal requesting a report assessing the feasibility of integrating sustainability metrics into senior executive performance measures or vesting conditions where the company's prior year proxy statement and statement in opposition explained why the company does not integrate performance measures or vesting conditions into compensation arrangements); Hess Corp. (avail. Apr. 11, 2019) (concurring in the exclusion on substantial implementation grounds of a proposal requesting a report on how the company can reduce its carbon footprint in alignment with greenhouse gas reductions necessary to achieve the Paris Agreement's goal where the company had met the essential objective through its most recent Sustainability Report, its response to a CDP Climate Change Questionnaire and its recent Investor Day Presentation); MGM Resorts International (avail. Feb. 28, 2012) (concurring in the exclusion on substantial implementation grounds of a proposal requesting a report on the company's sustainability policies and performance, including multiple, objective statistical indicators, where the company published an annual sustainability report).

The Proposal and Supporting Statement make clear that the underlying concern or "essential objective" of the Proposal is to ensure that shareholders are informed about the Company's policies and practices regarding its workforce. The Supporting Statement states that "disclosure of financially material information, including comprehensive workforce metrics, would help investors to assess the effectiveness of the Company's approach and robustness of the board's oversight." (See Exhibit A).

The Company takes the Proposal's underlying concern and essential objective seriously and has made numerous disclosure on this precise subject matter including: (i) the Company's Equal Employment Opportunity Policy (the "EEOP") provides that all Company employees ("partners") will be treated fairly, without regard to race, color, religion, sex, national origin, age, disability, sexual orientation, marital status, veteran status, gender identity and expression, genetic information or any other basis protected by law (See Exhibit B); (ii) the Company's 2020 Notice of Annual Meeting of Shareholders & Proxy Statement (the "2020 Proxy Statement") reiterates the Company's long-standing commitment to invest in its workforce and reviews the Company's approach to human capital management (See Exhibit C for relevant 2020 Proxy Statement excerpts); (iii) the Company's Civil Rights Assessment Reports issued in 2019 (the "2019 Report") and in February 2020 (the "2020 Report") discuss the actions the Company has taken to advance civil rights, equity, diversity and inclusion in its workforce and an assessment of success and challenges of such actions (See Exhibit D); and (iv) additional information regarding the Company's approach to managing its workforce, the initiatives the Company has taken and quantitative and qualitative assessments of the Company's progress towards its workforce management goals are also publicly disclosed on the Company's website<sup>1</sup> and will be included in the Company's Annual Report on Form 10-K for the year ended September 30, 2020, which will be filed with the Commission in November 2020 (collectively, with the EEOP, the 2020 Proxy Statement, the 2019 Report and the 2020 Report, the "Public Disclosures"). As further described below, the Company has substantially implemented the essential objective of the Proposal through its extensive Public Disclosures regarding its workplace policies and practices.

a. The Company's Public Disclosures describe the Company's overall approach to and board-level oversight of human capital management.

The first prong of the Proposal requests that the Company provide a report that includes information on the Company's overall approach to and board-level oversight of human capital management in the context of emerging workforce-related risks and opportunities in the retail coffee industry. The Company consistently holds that the strength of its workforce is one of the significant contributors to the Company's success as a global brand and one of the pillars of the Company's strategy is investing and managing its workforce effectively to differentiate its brand, products and services in the retail coffee market. The 2020 Proxy Statement describes the Company's approach towards the development and management of its workforce focusing on creating pathways to opportunity. For example, as described in the 2020 Proxy Statement, the Company's initiatives include:

- Recognize and Reward Partners: Offering comprehensive benefits package to eligible full-time and part-time partners (including 401(k) match, health, life and disability insurance, tuition-free college degree program, subsidized stock purchase plan, stock equity program, paid parental leave, child and adult back-up care, and mental health initiatives) in the U.S. (with similar customized and competitive benefits for international partners). Customizing compensation

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<sup>1</sup> See, e.g., <https://stories.starbucks.com/stories/2020/workforce-diversity-at-starbucks/>;  
<https://www.starbucks.com/careers/working-at-starbucks/culture-and-values>;  
<https://www.starbucks.com/careers/working-at-starbucks/benefits-and-perks>.

packages to remain competitive and responsive to partners' feedback internationally.

- **Diversity, Equity and Inclusion:** Committing to equitable hiring practices consistent with the Company's EEO and creating a welcoming and inclusive third place in support of the Company's Mission and Values. Commissioning and publishing the 2019 Report and 2020 Report evaluating the Company's ongoing efforts relating to inclusion, diversity and equity in the workplace and recommendations to strengthen the Company's current programs, policies and initiatives. Ensuring that senior management is held accountable for implementing the Company's workforce strategies and, as recently publicly announced, beginning in fiscal year 2021, incorporating goals around building and retaining inclusive and diverse partner teams into executive pay and executive compensation programs.
- **Global Gender Pay Equity:** Committing to achieving and maintaining gender pay equity in its operations around the world.
- **Starbucks College Achievement Plan:** Offering eligible U.S. partners who work at least twenty hours a week 100 percent tuition coverage for a first time bachelor's degree from Arizona State University since 2015. One of the goals of this program is to expand access to higher education to those who would be the first in their families to attend college.
- **Training and Other Educational Resources:** Committing to providing partners the opportunities for education such as the 15-course "To Be Welcoming" curriculum available to all partners, to foster an internal culture of equity and inclusion in its workforce.
- **Diverse Hiring and Recruitment:** Hiring efforts that seek to expand the pipeline of diverse candidates and build a more diverse workforce and strengthen local communities by providing employment and transferable skills to populations facing barriers, including setting hiring targets for veterans and military spouses, refugees and opportunity youth.

The Company's Standards of Business Conduct further describes the Company's overall approach to workforce management as one that is based on: ensuring equal opportunity in its hiring practices, creating a diverse and inclusive work environment free of harassment, bullying and discrimination, ensuring workplace health, safety and security and adhering to applicable wage and hour laws and regulations.

Consistent with the Company's Missions and Values and growing out of listening sessions with its partners in response to broader social issues, the Company publicly announced its goals for inclusion, diversity and equity in its workforce in 2018<sup>2</sup> and, most recently, in

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<sup>2</sup> See, <https://stories.starbucks.com/stories/2018/beyond-may-29-lessons-from-starbucks-anti-bias-training-and-whats-next/>.

October 2020 (the “October Announcement”).<sup>3</sup> In the October Announcement and the accompanying CEO’s public letter to partners, the Company reiterates its three principles in areas of inclusion, diversity and equity:

- Be intentional about the action the Company takes and how they line up with the Company’s Mission and Values.
- Commit to transparency with all stakeholders about the Company’s goals and initiatives in promoting inclusion, diversity and equity.
- Hold itself accountable to the progress towards its goals.

As part of the Company’s adoption of the three principles, the October Announcement also sets forth the actions the Company has committed to undertake, including establishing an internal governance structure to integrate Inclusion and Diversity throughout the organization, beginning with an Inclusion and Diversity Executive Council in the first quarter of fiscal year 2021 and targeting employment of 30% Black, indigenous and people of color partners at the corporate level and 40% in retail and manufacturing by 2025. In addition to these commitments, as disclosed in the October Announcement, the Company will incorporate measurements focused on building inclusive and diverse teams into its executive compensation programs beginning in fiscal year 2021.

The Company believes that second only to the importance of its human capital is the responsibility for its oversight by the Board and the Company’s senior management. As set forth in the 2020 Proxy Statement, the Company includes human capital management experience in its ten key areas considered when nominating directors. The Company’s Nominating and Corporate Governance Committee annually reviews and assesses the effectiveness of the Company’s social responsibility policies, goals and programs (including with respect to the Company’s partners) through the annual Global Social Impact Performance Report, and makes recommendations as deemed appropriate based on such review and assessment. The Company’s Compensation and Management Development Committee is responsible for periodically reviewing the Company partner equity plans and human resources programs and initiatives, including healthcare and other benefits. The Company’s Audit and Compliance Committee monitors risks related to labor and human capital management. These committees report and make recommendations on workplace management matters to the Board as appropriate and Board discussions take place regularly on topics such as how the Company should attract, retain and develop a workforce that aligns with the Company’s values and strategies. Senior management is held accountable for implementing the Company’s workforce strategies and, as noted in the preceding paragraph, beginning in fiscal year 2021, executive compensation programs will incorporate goals around building and retaining inclusive and diverse partner teams. The Compensation and Management Development Committee will have oversight responsibility for these programs for the Company’s executive officers. In summary, the Company’s Public Disclosures substantially implement the Proposal’s essential objective of

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<sup>3</sup> See, <https://stories.starbucks.com/stories/2020/our-commitment-to-inclusion-diversity-and-equity-at-starbucks/>.

informing shareholders of the Company's overall approach to and board-level oversight of human capital management.

b. The Company's Public Disclosures on workplace metrics and performance measurements allow investors to assess the effectiveness of the Company's workplace practices.

The second prong of the Proposal requests that the Company provide a report that includes comprehensive workforce metrics that demonstrate the success and challenges the Company faces in its workforce management. As previously stated, the 2019 Report presents findings on the Company's programs, policies and initiatives related to civil rights, equity, diversity and inclusion in its workforce, as well as updates on the Company's initiatives and commitments and recommendations to strengthen the Company's programs, policies and initiatives. The 2020 Report provides an objective third-party evaluation of the Company's ongoing efforts relating to workforce management using the findings and recommendations contained in the 2019 Report as the benchmark for the evaluation.

The 2020 Report focuses on various aspects of workforce management including, customer relations, store operations, partner resources, partner benefits, workforce diversity and community and social impact initiatives. The 2020 Report discloses the actions the Company has taken to (i) sustain a welcoming environment for its workforce (a "third place"), (ii) foster an internal culture of equity and inclusion, (iii) enforce its anti-discrimination policy and enhance related training, (iv) strengthen communities and (v) lead in best practices for eliminating bias. In its evaluation, the 2020 Report discusses metrics and performance measurements showing the successes in the Company's workforce management practices and recommendations for where the Company can direct its future efforts. For example, the 2020 Report noted the Company's achievements in:

- 100% gender pay equity in the U.S., Canada and China, continuing to expand the focus globally and joining 25 U.S. employers on Equal Pay Day to pledge to uphold shared set of equal pay principles.
- Meeting its goal of hiring 25,000 veterans and military spouses a year early, with a new plan to hire 5,000 additional veterans and military spouses every year.
- Hosting a Leadership Experience conference in 2019 bringing together 12,000 store managers and other field leaders for presentations, trainings and engagement with the Company's senior leadership.
- Expanding mental health and family expansion benefits, including updating the "Third Place Development Series," featuring diverse speakers on topics ranging from mindful decision making to mental health.
- Updating trainings to address disruptive behaviors in stores and revising anti-discrimination and anti-harassment policies.

- Commissioning Arizona State University to develop, in collaboration with more than 50 subject-matter experts, a 15-part curriculum on understanding implicit bias.
- Hiring its first Chief Inclusion and Diversity Officer to guide hiring, development, leadership, and compensation practices across the company.
- Committing to rolling out an enhanced applicant tracking system in 2020 to build more diverse teams and help internal talent advance and develop.
- Being recognized as a Best Place to Work for Disability Inclusion by scoring 100 on the Disability Equality Index for a fourth year.
- Distributing \$2.4 million in grants from the CUP Fund, an emergency financial assistance program started by partners, to its U.S. partners in fiscal 2019.

The Company has made public its current workforce diversity data and EEO-1 report since 2016.<sup>4</sup> The Company was also one of the 34 companies in the S&P 100 to commit to disclosing its Consolidated EEO-1 Report, publicly disclosing the composition of its workforce by race, ethnicity and gender.

The Supporting Statement cites the challenges caused by the COVID-19 pandemic and the essential contributions that workers in retail, food services and other front-line business made as underscoring investors' expectations for better human capital management. During the COVID-19 pandemic, the Company issued public letters to partners disclosing the Company's actions to protect its partners and recognize the important role partners play in the success of the Company. As disclosed on its website, the Company adopted comprehensive workforce policies, including providing Service Pay for partners choosing to work and Catastrophe Pay for partners who have been diagnosed or exposed to COVID-19 through May 31, implementing a new COVID-19 Leave of Absence policy for partners who prefer to take unpaid leave through the second fiscal quarter of 2021 while continuing to maintain existing benefits.<sup>5</sup> The Company also expanded mental health<sup>6</sup>, childcare, food and beverage benefits for partners.<sup>7</sup> On April 8, 2020, the Company issued a press release announcing its commitment of \$10 million to establish the Starbucks Global Partner Emergency Relief Program, as part of its ongoing efforts to support its workforce around the world impacted by COVID-19.<sup>8</sup> In addition, on November 2, 2020, the Company announced to its U.S. store partners a 10% to 11% pay increase, effective December 14, 2020, in recognition of the contribution its store partners made

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<sup>4</sup> See, <https://stories.starbucks.com/stories/2020/workforce-diversity-at-starbucks/>.

<sup>5</sup> See, <https://stories.starbucks.com/press/2020/what-customers-need-to-know-about-starbucks-response-to-covid-19/>.

<sup>6</sup> See, <https://stories.starbucks.com/stories/2020/starbucks-announces-reimagined-mental-health-care-for-u-s-partners/> (announcing a new mental health benefit for U.S. partners).

<sup>7</sup> See, <https://stories.starbucks.com/stories/2020/a-letter-to-partners-comprehensive-partner-care-as-we-adapt-to-covid-19/> (announcing the expansion of the Company's Care@Work program and doubling backup days from 10 to 20 days for U.S. partners).

<sup>8</sup> See, <https://stories.starbucks.com/press/2020/starbucks-commits-10m-usd-in-covid-19-relief-for-partners-around-the-world/>.

to the Company's financial performance and an increase to the premium the Company pays above minimum wage in each of its markets.

The Company's Public Disclosures demonstrate that the Company has substantially implemented the Proposal by satisfying its essential objective. Specifically, the Company, through its Public Disclosures, has provided and intends to continue to provide its human capital management practices and detailed self-assessment of the successes and challenges in the implementation of such practices. The Company respectfully requests the Staff's concurrence in the omission of the Proposal as being substantially implemented pursuant to Rule 14a-8(i)(10).

**II. Under Rule 14a-8(i)(7), the Proposal may be omitted because it deals with a matter relating to the Company's ordinary business operations.**

Rule 14a-8(i)(7) provides that a shareholder proposal may be omitted from a proxy statement "[i]f the proposal deals with a matter relating to the company's ordinary business operations." When adopting amendments to Rule 14a-8 in 1998, the Commission explained that the policy underlying the ordinary business exclusion is "to confine the resolution of ordinary business problems to management and the Board of directors, since it is impracticable for shareholders to decide how to solve such problems at an annual shareholders meeting." 1998 Release.

The 1998 Release describes the two "central considerations" for the ordinary business exclusion. The first relates to the subject matter of the proposal. The Commission states that certain tasks are "so fundamental to management's ability to run a company on a day-to-day basis" that they could not, as a practical matter, be subject to direct stockholder oversight. Examples of the tasks cited by the Commission include "management of the workforce, such as the hiring, promotion, and termination of employees, decisions on production quality and quantity, and the retention of suppliers." 1998 Release. The second consideration "relates to the degree to which the proposal seeks to 'micro-manage' the company by probing too deeply into matters of a complex nature upon which stockholders, as a group, would not be in a position to make an informed judgment."

A proposal framed in the form of a request for a report does not change the nature of the proposal. The Commission has stated that a proposal requesting the dissemination of a report may be excludable under Rule 14a-8(i)(7) if the subject matter of the report is within the ordinary business of the issuer. See Exchange Act Release No. 20091 (Aug. 16, 1983).

a. The Proposal is excludable because it relates to the Company's relationship with its partners.

The Staff has regularly concurred that shareholder proposals relating to a company's management of its workforce or to the relationship between the Company and its employees may be excluded under Rule 14a-8(i)(7). See Amazon.com, Inc. (avail. Apr. 1, 2020) (concurring in the exclusion of a proposal requesting a report on the company's steps taken to reduce the risk of accidents, including the board's oversight process of safety management, staffing levels, and inspection and maintenance under Rule 14a-8(i)(7) for focusing on

workplace accident prevention, an ordinary business matter); Walmart Inc. (avail. Apr. 4, 2019) (concurring in the exclusion of a proposal requesting a report evaluating the risk of discrimination that may result from the company's employee leaves of absence policies under Rule 14a-8(i)(7) for relating generally to the company's management of its workforce, an ordinary business matter); Merck & Co., Inc. (avail. Feb. 16, 2016) (concurring in the exclusion of a proposal requesting that the company adopt certain procedures for hiring and promoting employees and stating that "proposals concerning a company's management of its workforce are generally excludable under Rule 14a-8(i)(7)"); Pilgrim's Pride Corp. (avail. Feb. 25, 2016) (concurring in the exclusion of a proposal requesting a report describing the company's policies, practices, performance and improvement targets related to occupational health and safety under Rule 14a-8(i)(7) for relating to workplace safety, an ordinary business matter); United Technologies Co. (avail. Feb. 19, 1993) (concurring in the exclusion on ordinary business grounds of a proposal directed at employment policies and practices with respect to non-executive workforce for relating to the conduct of the company's ordinary business operations).

As described above, the Company views the strength of its workforce as integral to the success of its business and, as demonstrated by the Company's comprehensive partner health and safety and leave of absence policies, is committed to adopting robust workforce management policies and practices. One of the Company's core business operations is the management of and investment in its partners to ensure the Company can differentiate its brand, products and services in the competitive retail coffee market. The Proposal implicates every aspect of the Company's management of its workforce and relationship with its partners. Producing comprehensive workforce metrics requires ongoing analysis of all available operational, financial, business, regulatory and legal information relating to the Company's workplace and its partners.

The practices and policies the Company decides to adopt in managing its workforce and the review of the success and challenges pertaining to the implementation of such practices are matters that require the judgment of an experienced management team who has the necessary capability and specialized knowledge to evaluate matters relating to the day-to-day management of the Company's more than 349,000 partners worldwide. Therefore, as in Amazon.com Inc., Walmart Inc., Merck & Co., and the other precedents discussed above, because workforce management is an integral and routine element of the Company's day-to-day business, the Proposal may be excluded under Rule 14a-8(i)(7) as relating to the Company's ordinary business operations.

b. The Proposal is excludable because it does not implicate a significant policy issue.

The 1998 Release distinguishes proposals pertaining to ordinary business matters from those involving "significant social policy issues," the latter of which are not excludable under Rule 14a-8(i)(7) because they "transcend the day-to-day business matters and raise policy issues so significant that it would be appropriate for a shareholder vote." When assessing whether the focus of the proposals is a significant social policy issue, the Staff considers the terms of the proposal and its supporting statement as a whole. See Staff Legal Bulletin No. 14C (Jun. 28, 2005).

The focus of the Proposal is on the Company's management of its workforce. The Supporting Statement notes that "[i]nvestors increasingly see human capital as a primary source of value for companies," and that "effective management represents a source of value creation." The Supporting Statement further notes that "a company's disclosure should reflect the importance of human capital in its strategy and operations." These statements make clear that the Proposal's focus is on the financial value and risks to the Company in its workforce management, which encompasses matters relating to hiring, retaining, developing, training and communicating with its workforce. The Proposal does not relate to any significant policy issues that transcend the day-to-day operations of the Company.

In addition, as described above, the Company has made robust Public Disclosures relating to its human capital management policies and practices. These disclosures diminish the significance of any policy issue otherwise presented by the Proposal to such an extent that the Proposal does not present a policy issue that is so significant to the Company such that it would be appropriate for a shareholder vote. Any difference that may exist between the Company's existing disclosures and the report that the Proposal is requesting is unlikely to be material to the shareholders of the Company.

Further, the Staff has found that a proposal may be excluded when it broadly focuses on ordinary business matters, even if it also touches on a significant policy issue. See Union Pacific Corp. (avail. Feb. 25, 2008) (concurring in the exclusion on ordinary business grounds of a proposal requesting disclosures of the company's efforts to safeguard the company's operations from terrorist attacks and other homeland security incidents because it included matters relating to the company's ordinary business operations despite certain aspects of the proposal that might be deemed to implicate significant policy issues); General Electric Co. (avail. Feb. 3, 2005) (concurring in the exclusion on ordinary business grounds of a proposal requesting a statement providing information on job elimination and relocation of U.S.-based jobs to foreign countries because it related to the company's ordinary business operations (i.e. management of its workforce) even though the Staff had previously concluded that certain employment-related proposals are significant social issues). As in Union Pacific Corp. and General Electric Co., even if certain aspects of the Company's human capital management practices and policies were deemed to implicate significant policy issues, which the Company does not believe is the case, the Proposal's broad request includes matters relating to the Company's ordinary business operations and does not transcend the day-to-day operations of the Company, and as such, the Proposal is properly excludable under Rule 14a-8(i)(7).

c. The Proposal seeks to micro-manage the Company's ordinary business operations.

The Staff has stated that when considering whether a proposal "micro-manages" a company, it looks at "whether the proposal seeks intricate detail or imposes a specific strategy, method, action, outcome or timeline for addressing an issue, thereby supplanting the judgment of management and the board." SEC Staff Legal Bulletin No. 14K (Oct. 16, 2019).

The Proposal seeks to micro-manage the Board by attempting to specify the manner in which these disclosures are made (i.e. by requesting that the Board provide a report including comprehensive workforce metrics demonstrating successes and challenges faced in the

Company's management of human capital). As discussed above, the Company's Public Disclosures address the Proposal's request for disclosures relating to the Company's human capital management practices and policies, and do so in great detail.

In addition, on August 26, 2020, the Commission adopted amendments to Item 101 of Regulation S-K, which requires companies to disclose material "human capital measures or objectives that the [company] focuses on in managing the business." The Company will include this disclosure in its Annual Report on Form 10-K for the year ended September 30, 2020, which will be filed with the Commission in November 2020. In the final rule, the Commission declined to define "human capital," stating that the term "may evolve over time and may be defined by different companies in ways that are industry specific." The Commission also declined to include prescriptive human capital metrics, stating that "the exact measures and objectives included in human capital management disclosure may evolve over time and may depend, and vary significantly, based on factors such as the industry, the various regions or jurisdictions in which the [company] operates...and other conditions that affect human capital resources." In addition, the Commission notes that its "principles-based approach affords [companies] the flexibility to tailor their disclosures to their unique circumstances, including by providing disclosure in accordance with some or all of the components of any current or future standard or framework that facilitates human capital resource disclosure that is material to the understanding of the [company's] business taken as a whole." Release No. 33-10825 (Aug. 26, 2020).

In making these statements, the Commission has provided companies the discretion to determine the content of its human capital management disclosure. Therefore, the Proposal seeks to dictate the content and manner of disclosure that the Commission has stated, given the evolving nature of human capital management and variability in how human capital management is managed, the Company would be better positioned to determine itself. Further, the Company and the Board are currently engaged in assessing these disclosure requirements and putting together the appropriate disclosure that would be material and specific to the Company in addition to the Company's existing Public Disclosures.

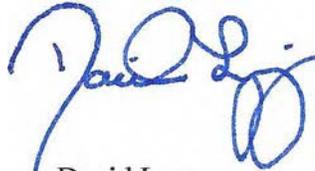
In summary, the Proposal attempts to micro-manage the Company by directing the Board to disclose aspects of the Company's workplace management practices that may not be material and that relate to the Company's day-to-day ordinary business matters. These day-to-day matters should be reserved for the Company's management and Board. As a result, the Proposal may be properly excluded pursuant to Rule 14a-8(i)(7) because it seeks to micro-manage the Company.

\* \* \* \* \*

## Conclusion

By copy of this letter, the Proponents are being notified that for the reasons set forth herein the Company intends to omit the Proposal and Supporting Statement from its Proxy Statement. We respectfully request that the Staff confirm that it will not recommend any enforcement action if the Company omits the Proposal and Supporting Statement from its Proxy Statement. If we can be of assistance in this matter, please do not hesitate to call me.

Sincerely,



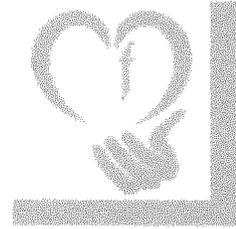
David Lopez

## Enclosures

cc: MJ Sinha, Catherine Donnelly Foundation  
Sarah Couturier-Tanoh, Shareholder Association for Research and Education  
Rachel Gonzalez, Starbucks Corporation  
Jennifer Kraft, Starbucks Corporation

**EXHIBIT A**

Starbucks Corporation  
Attention: Corporate Secretary  
401 Utah Avenue South  
Mail Stop S-LA1  
Seattle, Washington 98134



September 18, 2020

**Re: Shareholder Proposal for Circulation at 2021 Annual General Meeting (AGM)**

Dear Ms. Gonzalez;

On behalf of the Catherine Donnelly Foundation I am writing to give notice that pursuant to the 2020 Proxy Statement of Starbucks Corporation (the "Company") and Rule 14a-8 under the Securities Exchange Act of 1934, the Catherine Donnelly Foundation intends to present the attached proposal (the "Proposal") at the 2021 annual meeting of shareholders (the "Annual Meeting").

Attached is documentation from ScotiaMcLeod confirming that the Catherine Donnelly Foundation is the beneficial owner of 4875 shares (the "Shares") of the Company, and has held the Shares for over one year. In addition, the Catherine Donnelly Foundation intends to continue its ownership of the Shares through the date on which the Annual Meeting is held.

The Proposal is attached. I represent that the Catherine Donnelly Foundation or its agent intends to appear in person or by proxy at the Annual Meeting to present the Proposal. I declare that the Catherine Donnelly Foundation has no "material interest" other than that believed to be shared by stockholders of the Company generally. The Catherine Donnelly Foundation will promptly notify the Company in writing if any of this information changes.

We hereby request that the proposal and the enclosed supporting statement be included in, or attached to, the management proxy statement to be issued in respect of the 2021 Annual Meeting for consideration by shareholders. We further request that the proposal be identified on the Annual Meeting's form of proxy as a matter to be voted for or against by the beneficial and registered shareholders of the Company.

Please direct all questions and correspondence regarding the Proposal to Sarah Couturier-Tanoh, Senior Engagement Analyst at the Shareholder Association for Research and Education, at:

SHARE - Shareholder Association for Research & Education  
Suite 257 – 401 Richmond Street West, Toronto, ON M5V 3A8  
tel: 416-306-8073 e-mail: [scouturier-tanoh@share.ca](mailto:scouturier-tanoh@share.ca)

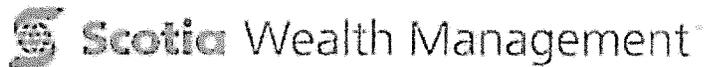
Sincerely,

A handwritten signature in black ink that reads "MJ Sinha". The signature is written in a cursive style with a horizontal line under the "a".

MJ Sinha,  
Director of Finance & Investment  
Catherine Donnelly Foundation

12 Montcrest Boulevard  
Toronto, Ontario M4K 1J7

T: 416-461-2996 F: 416-465-4193  
[info@catherinedonnellyfoundation.org](mailto:info@catherinedonnellyfoundation.org)



**September 18, 2020**

**RE: Starbucks**

**ISIN: US8552441094**

**CUSIP: 855244109**

**Ticker: SBUX**

To Whom It May Concern:

Please be advised that we wish to confirm 4875 shares of the above security were continuously beneficially owned by The Catherine Donnelly Foundation for a period of one year (from September 19, 2019 to September 18, 2020) and held in the name of ScotiaMcleod through the Depository Trust Company REF #DTC5011.

The Catherine Donnelly Foundation has the authority to vote these shares at the upcoming 2021 annual general meeting of shareholders on the condition that they are still holding these shares as of the meeting record date.

Please do not hesitate to contact me if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "E. Martin".

**Eleanor Martin, Administrative Associate**

ScotiaMcleod

416-862-5833

Eleanor.martin@scotiawealth.com

**Resolved:** That the board of directors report to shareholders, at reasonable cost and omitting proprietary information, on actions the company is taking to uphold decent work practices in the company's owned and franchisee operations, including:

1. Information on the company's overall approach and board-level oversight of human capital management in the context of emerging workforce-related risks and opportunities in the retail coffee industry; and
2. Comprehensive workforce metrics that effectively demonstrate the success and challenges the company faces in its management of human capital.

### **Supporting Statement**

The COVID-19 pandemic has caused unprecedented challenges to the economy, workers, communities and businesses. The virus has exposed how vulnerable and unprepared many companies were to address major business disruptions and protect the health and financial security of their employees. Workers in retail, food service and other front-line businesses demonstrated how essential their contribution is to the success of a company and the economy. They were branded "Covid heroes" .

This experience has underscored investors' expectations for better human capital management across sectors. Demand for better corporate disclosure on human capital management is growing among investors and regulators. Jay Clayton, Chair of the SEC, said in April 2019 to the House Appropriations Subcommittee on Financial Services and General Governance that he "would like to see more disclosure from public companies on how they think about human capital."

Investors increasingly see human capital as a primary source of value for companies. By extension, effective management represents a source of value creation. A company's disclosure should reflect the importance of human capital in its strategy and operations. This is particularly material in customer-facing service industries where an employee's conduct and efficiency are critical to the customer experience and the company's reputation.

In recent years, Starbucks has been in the news for several widely-publicized issues related to workforce management., including:

- A class-action lawsuit on unpaid overtime, filed by former store managers. The filers sought damages of \$30 million CDN;
- An investigation, led by the New York State Attorney General on the company's sick leave practices for statutory violations;
- Multiple sexual harassment allegations and accusations that the company took inadequate measures to protect employees; and
- Accusations of racial discrimination after the wrongful arrest of two Black men in a Starbucks store.

Investors have identified significant gaps in Starbucks' human capital management. This gap, and a lack of transparency on related matters, create a reputational and legal risk that may negatively impact performance and long-term value.

Starbucks has not established roles and responsibilities for the workforce at the board-level. The company does not provide sufficient information to understand its approach to human capital management in its operations. Disclosure of financially material information, including comprehensive workforce metrics, would help investors to assess the effectiveness of the company's approach and the robustness of the board's oversight.

We urge you to support this proposal.

**EXHIBIT B**



## **Equal Employment Opportunity Policy – U.S.**

Starbucks is an equal employment opportunity employer of all qualified individuals.

All partners and applicants will be treated fairly, without regard to race, color, religion or religious creed, national origin or place of origin, sex (including pregnancy, childbirth, breastfeeding or related medical conditions), physical or mental disability, age, protected military or veteran status, sexual orientation, gender identity, gender expression, transgender status, genetic information, legally protected medical condition, marital or domestic partner status, status as a victim of domestic violence (including sexual assault or stalking), or any other basis protected by applicable law.

This policy applies to all aspects of one's employment, including hiring, transfer, promotion, compensation, eligibility for benefits, and separation. All partners are responsible for carrying out the Equal Employment Opportunity Policy. Partners who engage in prohibited discrimination or harassment will receive appropriate disciplinary action.

**EXHIBIT C**



# 2020

## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS AND PROXY STATEMENT



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE HIGHLIGHTS

Since its beginning, Starbucks set out to be a company that creates meaningful connections in our stores and positive impact in the communities we serve. As we have grown to more than 31,000 stores in more than 80 markets, so too has our ability to lead and create global social impact, and together we work to elevate our partners, customers, neighbors and suppliers to create positive change.

In line with our values to be performance driven through the lens of humanity, our leadership has been challenging the status quo with rigor and with the recognition that we cannot do it alone. Our leadership values ongoing dialogue with external experts, partners, customers, shareholders and our board of directors. Our board of directors is also integrally involved in establishing and overseeing our social impact priorities.

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### LEADING IN SUSTAINABILITY



#### SUSTAINABLE COFFEE

We are proud that 99% of our coffee is verified as ethically sourced according to Coffee and Farmer Equity (“C.A.F.E.”) Practices, and we are working to reach 100%. With increasing impacts of climate change, we have invested more than \$150 million to help increase the prosperity and resilience of the farmers and workers who grow coffee around the world by investing in coffee communities, sharing technical coffee knowledge and innovating with new agricultural approaches to increase quality and yields and decrease environmental impact.



#### GREENER POWER

Starbucks purchases enough renewable energy to power 100% of its company-operated stores in the U.S., Canada and the UK with clean energy. Worldwide, more than three-quarters of Starbucks operations are powered by renewables. Our next step has been not just to buy renewable energy, but to invest in solar and wind farms and work to source 100% renewable energy for all global store operations as well as our global supply chain and office locations.



#### GREENER STORES

We have been a leader for more than a decade in LEED® Certification, and we are now going beyond that in partnership with the World Wildlife Fund with an open-source Starbucks “Greener Stores” operations framework and the goal to design, build and operate 10,000 of these stores by 2025.



#### GREENER CUPS AND STRAWLESS LIDS

We are committed to decreasing the waste associated with our business, increasing recycling and promoting reusability. This includes the commitment to eliminate plastic straws globally by the end of 2020 and identify cup technologies that are more widely recyclable and compostable.

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### STRENGTHENING OUR COMMUNITIES



#### POSITIVE IMPACT IN OUR COMMUNITIES

From the neighborhoods where our stores are located to the farms where our coffee is grown, we are dedicated to having a positive economic impact and strengthening our communities — whether it’s donating more than 20 million meals as part of Starbucks® Foodshare program, community service or investing in innovative store formats to support underserved neighborhoods, veterans and military spouses, or people who are deaf and hard of hearing.



#### THE STARBUCKS FOUNDATION

Starbucks also contributes to The Starbucks Foundation, which supports our communities around the globe. In fiscal 2019, we donated approximately \$12 million.

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### CREATING PATHWAYS TO OPPORTUNITY



#### EQUAL OPPORTUNITIES

At Starbucks, our work begins with a commitment to creating a welcoming and inclusive place away from home or work, which we call a “third place.” As a leader in gender and race pay equity and senior leadership representation, as well as supplier diversity and inclusion, we continue to listen, make progress, assess and continually improve our Company’s approach to equity, diversity and inclusion among our partners and in our stores.



#### PARTNER INVESTMENT

We are dedicated to creating an outstanding experience for our partners, as we believe that when we put them first, the result is an elevated *Starbucks Experience* for our stores, customers and communities. In part, this means competitive compensation and best-in-class benefits that are customized for different regions. It also means committing to hire thousands more veterans and military spouses, refugees and Opportunity Youth.

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### LEADERSHIP & GOVERNANCE



#### ETHICS

We advise and enable leaders to engage in ethical business practices, work to help ensure effective legal risk management and encourage partners to speak up if they have concerns.



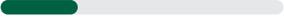
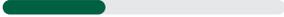
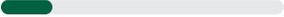
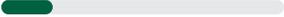
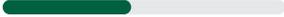
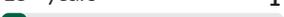
#### RISK MANAGEMENT

The board and management work together to understand the material risks the Company faces and the steps necessary to manage those risks, including determining the level of risk appropriate for the Company.

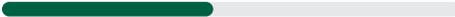
## Board Refreshment

In September 2019, the board added three new members: Richard E. Allison, Jr., CEO of Domino's Pizza; Andrew Campion, CFO of NIKE, Inc.; and Isabel Ge Mahe, Vice President and Managing Director of Greater China of Apple, Inc. Their expertise across global technology, strategy and financial management, brand and marketing, and retail and customer experience at scale will accelerate Starbucks drive to innovate in a way that is meaningful to our customers and inspiring to our partners. The addition of these directors complements the existing skills and experiences of the continuing directors. Each new member adds value by bringing his or her perspective to the table, which will be key in working with the board and management to execute Starbucks strategy, drive growth and build long-term stakeholder value.

## Board Snapshot

INDEPENDENCE	DIRECTOR TENURE	AGE DISTRIBUTION	DIVERSITY
Independent <b>11</b> 	0-4 years <b>7</b> 	<50 years <b>3</b> 	Female <b>38%</b> 
Not-Independent <b>2</b> 	5-9 years <b>2</b> 	50-60 years <b>8</b> 	Ethnic Diversity <b>46%</b> 
	10-14 years <b>3</b> 	61-70 years <b>1</b> 	National Diversity <b>23%</b> 
	15+ years <b>1</b> 	>70 years <b>1</b> 	
	Average Director Tenure: <b>6 years</b>	Average Age: <b>54</b>	

## EXPERIENCE/QUALIFICATIONS/SKILLS/ATTRIBUTES

	<b>Industry Experience</b>  <b>7/13</b>		<b>Domestic &amp; International Sustainability and Public Policy Experience</b>  <b>6/13</b>
	<b>Financial/Capital Allocation Experience</b>  <b>10/13</b>		<b>Technology Experience</b>  <b>9/13</b>
	<b>Gender, Ethnic or National Diversity</b>  <b>8/13</b>		<b>Human Capital Management Experience</b>  <b>8/13</b>
	<b>Brand Marketing Experience</b>  <b>12/13</b>		<b>Public Company Board Experience</b>  <b>9/13</b>
	<b>International Operations &amp; Distribution Experience</b>  <b>9/13</b>		<b>Senior Leadership Experience</b>  <b>13/13</b>

## GLOBAL SOCIAL IMPACT

### For Us, the Pursuit of Profit is Consistent with the Pursuit of Doing Good.

Helping people thrive supports the long-term sustainability of the premium products we provide. Whether it's *arabica* coffee, tea, cocoa or manufactured goods, we are committed to offering high-quality, ethically and sustainably produced products.

Starbucks has consistently reported performance against its social impact commitments and the related impacts of its global business operations. Since 2001, we have publicly reported social and environmental performance metrics in our Global Social Impact Report on an annual basis, and we continue to optimize our efforts to provide transparent and accurate information. In addition, Starbucks annually submits performance and data to key industry-recognized reports such as the Dow Jones Sustainability Index and the Carbon Disclosure Project annual carbon emissions report.

Our annual Global Social Impact Report focuses on three key areas that are critical to our business: leading in sustainability, strengthening communities and creating pathways to opportunity.

### Here is a Summary of Our Social Impact Activities:



#### LEADING IN SUSTAINABILITY

Our vision is **sustainable coffee, served sustainably.**

#### Responsible Coffee



##### Coffee Sourcing Commitment

Today, 99% of our coffee is verified as ethically sourced by Conservation International. We are committed to our goals of reaching 100% ethically sourced coffee, working as part of the Sustainable Coffee Challenge to make coffee the world's first sustainable agricultural product and improving the lives of at least one million people in coffee communities around the world.



##### Planting Coffee Trees

Thanks to our partners and customers, more than 40 million disease-resistant coffee trees have been donated to coffee farmers to help improve the quality and yields of their harvests. Our goal is to provide 100 million of these coffee trees to farmers by 2025.



##### Open-Source Agronomy

Our Global Agronomy Center at Hacienda Alsacia in Costa Rica and nine Farmer Support Centers provide open-source training and other resources to coffee farmers around the world. Our goal is to train 200,000 coffee farmers by the end of 2020.



##### Starbucks Global Farmer Fund and Relief Funds

We have invested nearly \$50 million in the Starbucks Global Farmer Fund to support farmers, and this comes in addition to relief funds, such as the \$20 million we provided in 2019 to many of our smallholder coffee farmers in Latin America who experienced the effects of low global coffee prices.



##### The Starbucks Foundation Origin Grants

We are supporting women and families in coffee- and tea-growing communities by making donations to The Starbucks Foundation, which has provided approximately \$25 million in Origin Grants that focus on strengthening leadership skills and income-generating activities as well as creating healthier homes.

#### Greener Retail



##### Greener Cups and Packaging

We are working across our industry through the NextGen Consortium to develop an open-source solution to use a more widely recyclable and compostable cup, and to improve recycling and composting infrastructure. Our goal is to develop 100% compostable and recyclable cups by 2022. We are committed to doubling the recycled content, recyclability and reusability of our cups and packaging by 2022 and eliminating the use of plastic straws globally by the end of 2020.



##### Greener Stores

Starbucks operates more than 1,600 LEED®-certified stores around the world. Now in partnership with the World Wildlife Fund, we are going further with an open-source Greener Stores framework for development and operation. Our goal is to build and operate 10,000 Greener Stores by 2025.



##### Greener Power

Starbucks purchases enough renewable energy to power 100% of its company-operated stores in the U.S., Canada and the UK with clean energy. Worldwide, more than three-quarters of Starbucks operations are powered by renewables. Our next step has been not just to buy renewable energy, but to invest in solar and wind farms, which supports access to green power in the communities where we operate. We are now working to source 100% renewable energy for global store operations as well as our global supply chain, headquarters and office locations.



##### Greener Aprons

More than 17,000 Starbucks partners around the world have enrolled in the Greener Apron sustainability training program through Starbucks Global Academy.



**STRENGTHENING COMMUNITIES**

Since its beginning, Starbucks set out to be a company that creates meaningful connection in our stores and **positive impact in the communities where we live and work.**



**Rescue Unsold Food Available to Donate**

Starbucks® FoodShare program, which launched in 2016 in partnership with Feeding America, packages eligible unsold food and delivers the meals to non-profits. Starbucks has a goal to rescue 100% of the unsold food available from its U.S. company-operated stores by the end of 2020. Currently, around 60% of stores participate, and more than 20 million meals have been donated through the program. Internationally, similar programs exist in several markets, and interest in the model continues to grow.



**Local and Community-Centric Economic Development**

Globally, we have invested in more than a dozen Community Stores, which provide extra services and resources specific to their communities. We have also invested globally in four Signing Stores for people who are deaf and hard of hearing. In the U.S., we have invested in 65 Military Family Stores. All these store formats help demonstrate our desire not only to provide the best experience we can for our customers, but also to help have a positive impact on and strengthen the communities we serve.

In 2019, we led an innovative social impact investment in Chicago, partnering with Community Development Financial Institutions to invest \$10 million in small business development loans with a focus on the city’s underserved communities.

Following a successful test, we have launched The Starbucks Foundation Service Fellows, where 100 Starbucks hourly store partners work 20 hours in their store each week while spending another 20 hours with a local non-profit in one of 20 U.S. cities. The program is catalytic in communities that need support and provides an opportunity for Starbucks partners to pursue their personal passion to get involved in their communities.



**The Starbucks Foundation Grants**

In fiscal 2019, The Starbucks Foundation supported communities around the world with nearly \$16 million in grants, including Neighborhood Grants in the U.S. and Canada, which allow store partners to provide grants to local non-profit organizations that are meaningful in their communities. These grants are enabled by donations from Starbucks.



**CREATING PATHWAYS TO OPPORTUNITY**

Starbucks has and continues to look to **create pathways to opportunity** for our partners and others in our communities.



**Diversity, Equity and Inclusion**

At Starbucks, our work begins with a commitment to creating a welcoming and inclusive third place. In 2019, we published a Civil Rights assessment that evaluated our ongoing efforts related to diversity, equity and inclusion and how they support our mission and values. The report has helped anchor our commitment to creating a culture of belonging for our customers, our partners and the communities they serve.

The report, conducted by Covington & Burling LLP under the leadership of the former Attorney General Eric Holder, includes updates on some of our newer initiatives and current commitments, as well as recommendations to strengthen our current programs, policies and initiatives.

We have already implemented several recommendations in this report. We will continue to welcome our partners, customers, civil rights and community leaders, along with our newly hired chief inclusion & diversity officer, to advise us along this journey and help us create a third place where everyone feels welcome. We maintain an equity and inclusion timeline to document our progress.

We have been recognized as a top employer for LGBTQ workplace equality, achieved a 100% rating from the Human Rights Campaign’s Corporate Equality Index, and have been recognized as a Best Place to Work for Disability Inclusion by the Disability Equality Index.



**Global Gender Pay Equity**

Starbucks has achieved — and maintained — 100% pay equity for women and men and people of all races performing similar work in the U.S. In 2018, when we first hit that milestone, we also announced that we are committed to reaching 100% gender pay equity for our all partners in Starbucks company-operated markets globally. A year later, we verified that we reached that goal in China and Canada — and are continuing our work around the world.

Leveraging our experience working to achieve gender equity in pay in the U.S. and other markets, we have formulated pay equity principles — equal footing, transparency and accountability — that other employers can implement to help address known, systemic barriers to global pay equity. In the U.S., we have also established best practices supporting each of these principles. Going forward, we will establish global practices as well.

At the senior leadership level, our board is currently comprised of 38% women, four of whom are members of minorities groups. We are working toward goals of having women occupy 50% of vice president and above roles by the end of 2020, and an increase of 50% over 2015 of people of color in these roles.



### Supplier Diversity and Inclusion

Starbucks maintains a Supplier Diversity and Inclusion program that seeks to provide qualified women-, minority-, people with disabilities-, veteran- and small (8(a) and HUBZone)-owned suppliers with an equal opportunity to compete for our business. In particular, the program works to identify and deliver high-quality products and services across all business channels while fostering economic development in the communities Starbucks serves.

Since first reporting our purchases with diverse suppliers in 2000, we have awarded over \$7.5 billion of business to diverse suppliers. In fiscal 2019, we spent \$703 million with diverse suppliers, which is an increase of \$104 million over the previous year.



### Health Benefits Including Mental Health

Starbucks has pioneered innovative benefits for our full- and part-time partners. Starbucks benefits package in the U.S. is available to eligible partners who work at least 20 hours a week and includes comprehensive and affordable health insurance, a tuition-free college degree program, equity in the form of stock, paid parental leave, child and adult back-up care and more. We offer coverage for transgender procedures, which we developed in partnership with the World Professional Association for Transgender Health. We offer reimbursement for uncovered fertility services and adoption expenses, and in 2019, we added reimbursement for uncovered surrogacy and intrauterine insemination.

Also in 2019, we announced a mental health initiative for the U.S. and Canada. It includes efforts to break the stigma around mental health needs through powerful partnerships and advocacy with organizations such as the Born This Way Foundation and Team Red White & Blue, connecting partners to quality care that meets their specific needs and providing unprecedented training to 12,000 store managers on an ongoing basis.

Internationally, we customize our compensation packages to remain competitive and responsive to partners' feedback. For example, for partners in our company-operated stores across Mainland China, we offer a critical illness insurance plan for their parents.



### Graduate 25,000 Partners by 2025 and Increase Accessibility and Performance

Starbucks College Achievement Plan is helping partners complete their education through Arizona State University ("ASU") online. More than 3,000 partners have graduated to date with over 13,000 partners participating in ASU's online degree programs. We are proud to continue to lead the way in this area, providing 100% tuition reimbursement to partners that work an average of 20 hours or more.



### Achieved Goal of Hiring 25,000 Veterans and Military Spouses by 2025

To date, we have hired over 26,000 veterans and military spouses, and our goal from now on is to hire 5,000 each year.



### Hire 10,000 Refugees Globally by 2022



### Hire 100,000 Opportunity Youth by the end of 2020

To date, we have hired over 96,000 Opportunity Youth.

For more information, please visit [www.starbucks.com/responsibility](http://www.starbucks.com/responsibility) and <https://stories.starbucks.com>.

# PROPOSAL 1 ELECTION OF DIRECTORS

Our board of directors currently has 13 members. The board of directors has nominated all 13 directors for election at the 2020 Annual Meeting, to serve until the 2021 Annual Meeting of Shareholders and until their respective successors have been elected and qualified. 10 of the 13 directors were elected at the 2019 Annual Meeting.

Unless otherwise directed, the persons named in the proxy intend to vote all proxies **FOR** the election of the nominees, as listed below, each of whom has consented to serve as a director if elected. If, at the time of the Annual Meeting, any nominee is unable or declines to serve as a director, the discretionary authority provided in the enclosed proxy will be exercised to vote for a substitute candidate designated by the board of directors, unless the board chooses to reduce its own size. The board of directors has no reason to believe that any of the nominees will be unable or will decline to serve if elected. Proxies cannot be voted for more than thirteen persons since that is the total number of nominees.

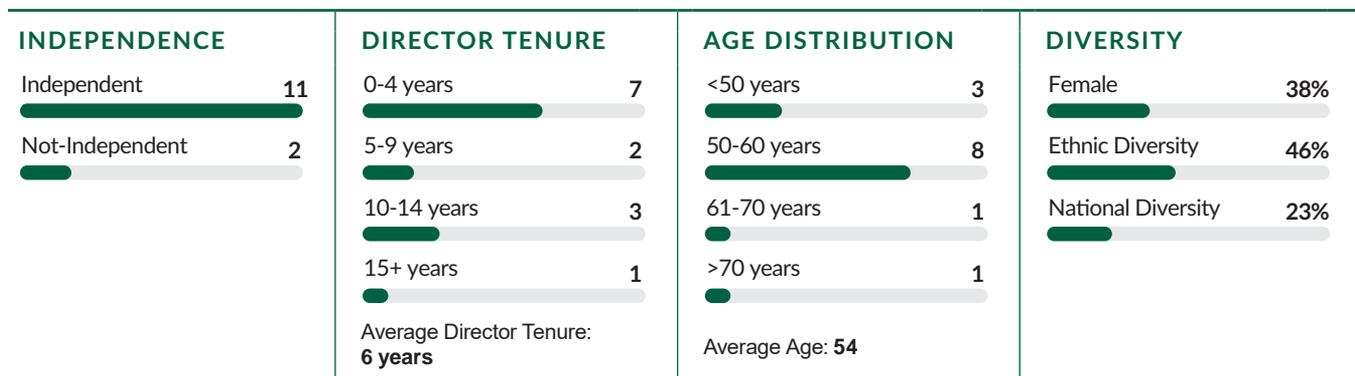
## STARBUCKS BOARD OF DIRECTORS

We believe that our directors should satisfy several qualifications, including demonstrated integrity, a record of personal accomplishments, a commitment to participation in board activities and other attributes discussed below in “Our Director Nominations Process” on page 31. We also endeavor to have a board that represents a range of qualities, skills and depth of experience in areas that are relevant to and contribute to the board’s oversight of the Company’s global activities. Following the biographical information for each director nominee, we describe the key experiences, qualifications, skills and attributes the director nominee brings to the board that, for reasons discussed in the chart below, are important to Starbucks businesses and structure. The board considered these key experiences, qualifications, skills and attributes and the nominees’ other qualifications in determining to recommend that they be nominated for election.

### Experience/Qualifications/Skills/Attributes

	<b>Industry Experience</b>	As the premier roaster, marketer and retailer of specialty coffee in the world, we seek directors who have knowledge of and experience in the consumer products, retail, food and beverage industries, which is useful in understanding our product development, retail and licensing operations.
	<b>Financial/ Capital Allocation Experience</b>	As a large public company, Starbucks is committed to strong financial discipline, effective allocation of capital, an appropriate capital structure, risk management, legal and regulatory compliance and accurate disclosure practices. We believe that directors who have senior financial leadership experience at large global organizations and/or financial institutions and directors who are experienced allocators of capital are instrumental to Starbucks success.
	<b>Gender, Ethnic or National Diversity</b>	We value representation of gender, ethnic, geographic, cultural, and other perspectives that expand the board’s understanding of the needs and viewpoints of our customers, partners, governments and other stakeholders worldwide.
	<b>Brand Marketing Experience</b>	We believe it is important for our directors to have brand marketing experience because of the importance of image and reputation in the specialty coffee business and our objective to maintain Starbucks standing as one of the most recognized and respected brands in the world.
	<b>International Operations &amp; Distribution Experience</b>	Starbucks has a strong global presence. The Company operates over 31,000 stores in over 80 markets. Accordingly, international operations and distribution experience is important for our directors to have, especially as we continue to expand globally and develop new channels of distribution.
	<b>Domestic &amp; International Sustainability and Public Policy Experience</b>	We believe that it is important for our directors to have domestic and international experience in sustainability and public policy to help us address significant public policy issues, adapt to different business and regulatory environments and facilitate our work with governments all over the world.
	<b>Technology Experience</b>	Our business has become increasingly complex as we have enhanced our offerings, expanded our global footprint and increased online customer ordering capabilities. This increased complexity requires a sophisticated level of technology resources and infrastructure as well as technological expertise. And, as a consumer retail company, it is important for our directors to have digital and social media experience, which can provide insight and perspective with respect to our various business functions.
	<b>Human Capital Management Experience</b>	At Starbucks, our people are one of our most valuable assets. We seek to live our values through the culture we develop with our partners and our customers. It is important that our directors have experience managing and developing values and culture in a large global work force so that we can continue to live our mission to inspire and nurture the human spirit – one person, one cup and one neighborhood at a time.
	<b>Public Company Board Experience</b>	Directors who have served on other public company boards can offer advice and perspective with respect to board dynamics and operations, relations between the board and Starbucks management and other matters, including corporate governance, executive compensation and oversight of strategic, operational, compliance-related matters and relations with shareholders.
	<b>Senior Leadership Experience</b>	We believe that it is important for our directors to have served in senior leadership roles at other organizations, which demonstrates strong abilities to motivate and manage others, to identify and develop leadership qualities in others and to manage organizations. Starbucks global scale and complexity requires aligning multiple areas of operations, including, but not limited to, marketing, merchandising, supply chain, human resources, real estate and technology. Senior leadership experience is necessary to ensure achievement of strategic priorities and objectives.

## Board Snapshot



The table below summarizes the key experience, qualifications and attributes for each director nominee and highlights the balanced mix of experience, qualifications and attributes of the board as a whole. This high-level summary is not intended to be an exhaustive list of each director nominee's skills or contributions to the board.



	Industry Experience	Financial/Capital Allocation Experience	Gender, Ethnic or National Diversity	Brand Marketing Experience	International Operations & Distribution Experience	Domestic & International Sustainability and Public Policy Experience	Technology Experience	Human Capital Management Experience	Public Company Board Experience	Senior Leadership Experience
Richard E. Allison, Jr.	✓	✓		✓	✓		✓	✓	✓	✓
Rosalind G. Brewer	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Andrew Campion		✓		✓	✓	✓				✓
Mary N. Dillon	✓	✓	✓	✓			✓	✓	✓	✓
Isabel Ge Mahe			✓	✓	✓		✓	✓		✓
Melody Hobson		✓	✓	✓		✓	✓		✓	✓
Kevin R. Johnson	✓	✓		✓	✓	✓	✓	✓	✓	✓
Jørgen Vig Knudstorp	✓	✓	✓	✓	✓		✓	✓		✓
Satya Nadella		✓	✓	✓	✓		✓	✓	✓	✓
Joshua Cooper Ramo						✓			✓	✓
Clara Shih			✓	✓			✓			✓
Javier G. Teruel	✓	✓	✓	✓	✓				✓	✓
Myron E. Ullman, III	✓	✓		✓	✓	✓		✓	✓	✓

## Board Recommendation



The board of directors recommends that shareholders vote **FOR** the election of each of the nominees to the board of directors.

## Board Meeting Annual Calendar



## Board Oversight of Strategy

The board is deeply engaged and involved in overseeing the Company's long-range strategy, including evaluating key market opportunities, consumer trends and competitive developments. This also includes aspects of our sustainability initiatives and social impact agenda that relate to our strategy. The board's oversight of risk is another integral component of the board's oversight and engagement on strategic matters. Strategy-related matters are regularly discussed at board meetings and, as relevant, at committee meetings, and we also dedicate at least one board meeting every year to an even more intensive review and discussion of the Company's strategic plan. Matters of strategy also inform committee-level discussions of many issues, including business risk. Engagement of the board on these issues and other matters of strategic importance continues in between meetings, including through updates to the board on significant items and discussions by the president and ceo with the independent chair and vice chair of the board on a periodic basis. Each director is expected to and does bring to bear his or her own talents, insights and experiences on these strategy discussions.

### BEYOND THE BOARDROOM

In order to increase each director's engagement with and understanding of our strategy, each director participates in an extensive orientation program upon joining the board, including meeting with members of our executive leadership team and other key leaders of the Company to gain a deeper understanding of Starbucks businesses and operations, attending cultural immersion programs, and visiting our stores to engage with store partners and customers first-hand. Periodic briefing sessions are also provided to members of the board on subjects that would assist them in discharging their duties. Our directors also have the opportunity through our periodic investor day presentations to understand and assess how we are communicating our strategy to our investors and other important stakeholders.

## Risk Oversight

### Board of Directors

The board of directors has overall responsibility for risk oversight. A fundamental part of risk oversight is not only understanding the material risks a company faces and the steps management is taking to manage those risks, but also understanding what level of risk is appropriate for that company. The involvement of the board in reviewing Starbucks business strategy is an integral aspect of the board's assessment of management's tolerance for risk and also its determination of what constitutes an appropriate level of risk for the Company.

While the full board has overall responsibility for risk oversight, the board has delegated oversight responsibility related to certain risks to the Audit Committee and the Compensation Committee.

#### Audit Committee

- Responsible for reviewing and overseeing the Company's major and emerging risk exposures, including financial, operational, legal and regulatory risks; discussing the steps the Company is taking to monitor and control such exposures; and crafting the Company's risk assessment and risk management policies.
- Receives regular reports from management including from our chief financial officer, chief accounting officer, vice president of Internal Audit and chief ethics and compliance officer on risks facing the Company at its regularly scheduled meetings and other reports as requested by the Audit Committee from time to time.

#### Compensation Committee

- Responsible for reviewing and overseeing the management of any potential material risks related to Starbucks compensation policies and practices.
- Reviews a summary and assessment of such risks annually and in connection with discussions of various compensation elements and benefits throughout the year.

In 2016, the Company's management established the Risk Management Committee, which is co-managed by Starbucks cfo and general counsel and reports to senior leadership.

The board believes that its leadership structure, coupled with the structure and work of the various committees referenced here, is appropriate and effective in facilitating board-level risk oversight.

## Board and Committee Evaluations

Our board is committed to continual corporate governance improvement, and the board and each committee annually conduct a self-evaluation to review and assess the overall effectiveness of the board and each committee, including with respect to strategic oversight, board structure and operation, interactions with and evaluation of management, governance policies and committee structure and composition. Committee self-assessments of performance are shared with the full board. The Nominating/Governance Committee also reviews the Governance Principles each year in light of changing conditions and shareholders' interests and recommends appropriate changes to the board for consideration and approval. Matters with respect to board composition, the nomination of directors, board processes and topics addressed at board and committee sessions are also considered part of our self-assessment process. As appropriate, these assessments result in updates or changes to our practices as well as commitments to continue existing practices that our directors believe contribute positively to the effective functioning of our board and its committees. In fiscal 2019, the board established an independent external review process to be conducted every three years, in addition to pre-existing annual board and committee evaluations.

## Affirmative Determinations Regarding Director Independence and Other Matters

Our board of directors has determined that each of the following directors and director nominees is an "independent director" as such term is defined under NASDAQ rules:

Richard E. Allison, Jr.	Satya Nadella
Andrew Campion	Joshua Cooper Ramo
Mary N. Dillon	Clara Shih
Isabel Ge Mahe	Javier G. Teruel
Melody Hobson	Myron E. Ullman, III
Jørgen Vig Knudstorp	

In determining that Ms. Ge Mahe is independent, the board considered payments in the ordinary course of business in fiscal 2019 between Starbucks and the public company in which she serves as an officer, which were for amounts representing less than 2% of the annual revenues of the company receiving the payments and did not constitute a related party transaction under U.S. Securities and Exchange Commission ("SEC") rules. The board determined that these transactions would not interfere with Ms. Ge Mahe's exercise of independent judgment in carrying out her responsibilities as a director. Also, in determining that Mr. Nadella is independent, the board considered payments in the ordinary course of business in fiscal 2019 between Starbucks and the public company in which he serves as an executive officer and as a director, which were for amounts representing less than 2% of the annual revenues of the company receiving the payments and did not constitute a related party transaction under SEC rules. The board determined that these transactions would not interfere with Mr. Nadella's exercise of independent judgment in carrying out his responsibilities as a director.

## Directors' Commitments

In recent years, a small number of significant investors have adopted more stringent proxy voting policies concerning director commitments, citing concerns that directors who hold chief executive officer or other executive officer positions at public companies and who concurrently serve on multiple public company boards may lack the time and

attention to adequately perform their duties and responsibilities, potentially negatively affecting shareholder returns. In considering Starbucks board nominees, our board takes into consideration the views of our shareholders. In nominating board members, the board balanced the significant value brought to our board by our current board members. We recognize that our board consists of exceptionally talented and diverse directors whose time and attention are highly sought-after. Our Nominating/Governance Committee continues a dialogue with each of our directors annually and rigorously evaluates each director's commitment to devoting the necessary time and attention to our Company's affairs and ensures effectiveness and performance of our directors in creating value for our shareholders.

The board recognizes that Mary N. Dillon, the CEO and a board member of Ulta Beauty, also serves on the board of KKR, a controlled company. Both KKR and Ulta have publicly-traded securities. Of course, all of our directors have other professional commitments. Ms. Dillon has served on the Starbucks board since January 2016 and serves as the chair of the Compensation Committee. Starbucks is proud to count Ms. Dillon, one of only 33 women who serve as CEOs of Fortune 500 companies, among its leadership. Her knowledge and experience have been extremely valuable in her role as director and chair of our Compensation Committee and her work leading the committee has led to demonstrable results related to the Company's talent goals. Given Starbucks commitment to raising up diverse voices and Ms. Dillon's performance over many years, Starbucks board stands behind her seat on our board of directors and has full confidence that she has and will continue to give the necessary attention and dedication to her role as a board member and as a committee chair.

## Succession Planning and Talent Management Oversight

### Management Succession Planning

In light of the critical importance of executive leadership to Starbucks success, we have an annual succession planning process. This process is enterprise-wide for managers up to and including our ceo.

Our board's involvement in our annual succession planning process is outlined in our Governance Principles. The Governance Principles provide that our Compensation Committee has general oversight responsibility for management development and succession planning practices and strategy. Our Compensation Committee, pursuant to its charter, annually reviews and discusses with the independent directors of the board the performance of certain senior officers of the Company and the succession plans for each such officer's position including recommendations and evaluations of potential successors to fill these positions. The Compensation Committee also conducts a periodic review of, and provides approval for, our management development and succession planning practices and strategies, including the review and oversight of risks and exposures associated with the succession planning practices and strategies.

### ceo Succession Planning

A primary responsibility of the board is planning for ceo succession. The chair of our Nominating/Governance Committee, together with the chair of the board (or, if not independent, the lead independent director), the chair of the Compensation Committee and the ceo, annually review ceo succession planning with the board. This review includes a discussion about development plans for the Company's executive officers and senior officers to help prepare them for future succession and contingency plans in the event of our ceo's termination of employment with Starbucks for any reason (including death or disability) as well as our ceo's recommendation as to his successor.

## Oversight of Sustainability

Our board is highly engaged in sustainability matters given that our global social impact and sustainability goals are intricately linked to our strategic direction. Our board considers our global social impact agenda at least annually in connection with the strategic plan. In addition, our Nominating/Governance Committee is tasked with the responsibility of overseeing the effectiveness of our environmental and social responsibility policies, goals and programs, including review of our annual Global Social Impact Report. Other board committees are also involved in assessing and managing our environmental and social priorities through their oversight responsibilities, including risk management and talent management.

## Shareholder Engagement

We have a year-round shareholder outreach program through which we solicit feedback on diverse business areas, ranging from our executive compensation program and corporate governance practices to disclosure practices to environmental and social impact programs and goals. We share feedback we receive with our board of directors, as well as other board committees such as the Compensation Committee and the Nominating/Governance Committee, as appropriate. Our board considers feedback received from shareholders throughout the year, and such input influences changes to our compensation program and the adoption of new governance practices. Every year, our outreach effort is conducted by a cross-functional team including: Investor Relations, Global Rewards, Law & Corporate Affairs, Public Affairs, Global Social Impact, Global Public Policy, and Organization & Leadership Effectiveness. Additionally, our ceo and cfo

are engaged in meaningful dialogue with our shareholders through our quarterly earnings calls and investor-related outreach events. For more information about our shareholder engagement, see page 12.

## ROLE OF OUR BOARD COMMITTEES

During fiscal 2019, our board of directors had three standing committees: the Audit Committee, the Compensation Committee and the Nominating/Governance Committee. The board of directors, upon recommendation of the Nominating/Governance Committee, makes committee and committee chair assignments annually at its meeting immediately preceding the annual meeting of shareholders, and from time to time makes changes to committee assignments as deemed appropriate by the board. The committees operate pursuant to written charters, which are available on our website at [www.starbucks.com/about-us/company-information/corporate-governance](http://www.starbucks.com/about-us/company-information/corporate-governance).

## ATTENDANCE AT BOARD AND COMMITTEE MEETINGS, ANNUAL MEETING

During fiscal 2019, each director attended at least 75% of all meetings of the board and board committees on which he or she served (held during the period that such director served). In fiscal 2019, our board held seven meetings. Our Governance Principles require each board member to attend our annual meeting of shareholders except for absences due to causes beyond the reasonable control of the director. All of the directors who then served on the board attended our 2019 Annual Meeting of Shareholders.

## Audit and Compliance Committee

<p><b>Committee Members:</b></p> <p>Melody Hobson (chair) Andrew Campion Jørgen Vig Knudstorp</p> <p>Joshua Cooper Ramo Javier G. Teruel</p>	<p><b>Number of meetings in fiscal 2019: 9</b></p> <p><b>Report:</b> page 64</p>
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The Audit Committee annually reviews and reassesses the adequacy of its charter and recommends any proposed changes to the charter to the board for approval. As more fully described in its charter, the primary responsibilities of the Audit Committee are to:

- oversee our accounting and financial reporting processes
- appoint the independent registered public accounting firm and oversee the relationship
- review the annual audit and quarterly review processes with management and the independent registered public accounting firm
- review management's assessment of the effectiveness of the Company's internal control over financial reporting and the independent registered public accounting firm's related attestation
- review and approve or ratify all transactions with related persons and potential conflicts of interests that are required to be disclosed in the proxy statement
- review periodically, discuss with management and regularly report to the board major and emerging risk exposures, risk assessment and risk management policies

Each of Ms. Hobson and Messrs. Knudstorp, Ramo and Teruel served on the Audit Committee during fiscal 2019. Mr. Campion was appointed by the board to the Audit Committee on September 11, 2019. Currently, each of Ms. Hobson and Messrs. Campion, Knudstorp, Ramo and Teruel: (i) meets the independence criteria prescribed by applicable law and the rules of the SEC for audit committee membership and is an "independent director" as defined by NASDAQ rules and (ii) meets NASDAQ's financial knowledge and sophistication requirements. Each of Ms. Hobson and Messrs. Campion and Teruel has been determined by the board of directors to be an "audit committee financial expert" under SEC rules. The "Audit and Compliance Committee Report" describes in more detail the Audit Committee's responsibilities with regard to our financial statements and its interactions with our independent auditor, Deloitte & Touche LLP.

## Compensation and Management Development Committee

<p><b>Committee Members:</b></p> <p>Mary N. Dillon (chair) Richard E. Allison, Jr. Satya Nadella</p> <p>Clara Shih Javier G. Teruel</p>	<p><b>Number of meetings in fiscal 2019: 5</b></p> <p><b>Report:</b> page 52</p>
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The Compensation Committee annually reviews and reassesses the adequacy of its charter and recommends any proposed changes to the charter to the board for approval. As more fully described in its charter, the primary responsibilities of the Compensation Committee are to:

- conduct annual review of and recommend to the independent directors of the board the compensation package for the ceo
- conduct annual review and approve the compensation packages for executive officers and senior officers
- annually review and approve performance measures and targets for all executive officers and senior officers participating in the annual incentive bonus plan and long-term incentive plans, and certify achievement of such measures and targets
- approve, modify and administer partner-based equity plans, the Executive Management Bonus Plan and deferred compensation plans
- annually establish the evaluation process for reviewing the ceo's performance
- periodically review and approve our management development and succession planning practices
- review and approve the Company's peer group companies and review market data
- provide recommendations to the board on compensation-related proposals to be considered at the Company's annual meeting
- determine stock ownership guidelines and periodically review ownership levels
- annually review a report regarding potential material risks, if any, created by the Company's compensation policies and practices and inform the board of any necessary actions

The charter allows the Compensation Committee to form and delegate any or all of its responsibilities to a subcommittee or subcommittees of the Compensation Committee, as may be necessary or appropriate, and within certain limits. At least annually, the Compensation Committee reviews and approves our executive compensation strategy and principles to confirm that they are aligned with our business strategy and objectives, shareholder interests, desired behaviors and corporate culture.

## Compensation Committee Interlocks and Insider Participation

Each of Ms. Dillon, Messrs. Allison, Nadella, Teruel and Ms. Shih served on the Compensation Committee during fiscal 2019. Mr. Allison was appointed by the Board to the Compensation Committee on September 11, 2019. During fiscal 2019, none of our executive officers served on the Compensation Committee (or its equivalent) or on the board of directors of another entity where one of our Compensation Committee members was an executive officer.

## Nominating and Corporate Governance Committee

<p><b>Committee Members:</b></p> <p>Jørgen Vig Knudstorp (chair) Mary N. Dillon Isabel Ge Mahe</p> <p>Joshua Cooper Ramo Clara Shih Myron E. Ullman, III</p>	<p><b>Number of meetings in fiscal 2019: 5</b></p>
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The Nominating/Governance Committee annually reviews and reassesses the adequacy of its charter and recommends any proposed changes to the charter to the board for approval. As more fully described in its charter, the primary responsibilities of the Nominating/Governance Committee are to:

- make recommendations to the board regarding board leadership, membership and chairs of the board's committees
- make recommendations to the board about our corporate governance processes
- assist in identifying and screening board candidates, administer the Policy on Director Nominations and consider shareholder nominations to the board
- annually assess the evaluation process for the overall effectiveness of the board and board committees and make recommendations to the board
- annually review board compensation for independent directors
- annually review corporate political contributions and expenditures
- provide recommendations to the board on shareholder proposals to be considered at the Company's annual meeting
- annually review and assess the effectiveness of the Company's environmental and social responsibility policies, goals and programs and make recommendations as appropriate

Messrs. Knudstorp, Ramo, Ullman and Ms. Dillon and Shih served on the Nominating/Governance Committee during fiscal 2019. Ms. Ge Mahe was appointed by the board to the Nominating/Governance Committee on September 11, 2019.

## OUR DIRECTOR NOMINATIONS PROCESS

Our Policy on Director Nominations is available at [www.starbucks.com/about-us/company-information/corporate-governance](http://www.starbucks.com/about-us/company-information/corporate-governance). The purpose of the nominations policy is to describe the process by which candidates are identified and assessed for possible inclusion in our recommended slate of director nominees (the “candidates”). The nominations policy is administered by the Nominating/Governance Committee.

### Minimum Criteria for Board Members

Each candidate must possess at least the following specific minimum qualifications:

- each candidate shall be prepared to represent the best interests of all shareholders and not just one particular constituency or any entity with which the candidate may be affiliated;
- each candidate shall be an individual who has demonstrated integrity and ethics in his or her personal and professional life and has established a record of professional accomplishment in his or her chosen field;
- no candidate, or family member (as defined in NASDAQ rules) or affiliate or associate (as defined under federal securities laws) of a candidate, shall have any material personal, financial or professional interest in any present or potential competitor of Starbucks;
- each candidate shall be prepared to participate fully in board activities, including active membership on at least one board committee and attendance at, and active participation in, meetings of the board and the committee(s) of which he or she is a member, and not have other personal or professional commitments that would, in the Nominating/Governance Committee’s sole judgment, interfere with or limit his or her ability to do so;
- each candidate shall intend to serve as a director at least until the next annual meeting of shareholders or until a successor has been qualified and preferably would intend to make a long-term commitment to serve on the board if re-nominated from time to time;
- each candidate shall acknowledge and comply with the Company’s confidentiality, corporate governance and other policies and guidelines applicable to directors;
- each candidate shall be willing to make, and financially capable of making, the required investment in our stock in the amount and within the time frame specified in the director stock ownership guidelines described in this proxy statement;
- each candidate shall not have made any commitments or assurance to any person as to how the candidate would vote or act on any issue or question that has not been disclosed to the Company (with the understanding that the existence of any such commitment or assurance to a third party is likely to be deemed

disqualifying by the Nominating/Governance Committee) nor any such commitments or assurances that could limit or interfere with the candidate’s ability to comply with his or her fiduciary duties; and

- each candidate will not be a party to any compensation or incentive arrangements with any person or entity other than the Company with respect to service or action as a director that has not been disclosed to the Company (with the understanding that the existence of any such arrangement is likely to be deemed disqualifying by the Nominating/Governance Committee in light of the conflicts that may result).

### Desirable Qualities and Skills

In addition, the Nominating/Governance Committee also considers it desirable that candidates possess the following qualities or skills:

- each candidate should contribute to the board of directors’ overall diversity - diversity being broadly construed to mean a variety of opinions, perspectives, personal and professional experiences and backgrounds, such as gender, race and ethnicity differences, as well as other differentiating characteristics;
- each candidate should contribute positively to the existing chemistry and collaborative culture among board members; and
- each candidate should possess professional and personal experiences and expertise relevant to our goal of being one of the world’s leading consumer brands. At this stage of our development, relevant experiences might include, among other qualifications or experience as the Nominating/Governance Committee shall deem appropriate: sitting CEO of a large global company; large-company CEO experience; international CEO experience; senior-level international experience; senior-level consumer products, food, food service and beverage industry experience; multi-unit small box retail or restaurant experience; technology expertise; and relevant senior-level expertise in one or more of the following areas: finance, accounting, branding, sales and marketing, organizational development, international or large-scale operations, logistics and distribution, information technology, social media, public relations, sustainability and public policy. Public company board experience is also valued.

The Nominating/Governance Committee is responsible for reviewing the appropriate skills and characteristics required of directors in the context of prevailing business conditions and existing competencies on the board, and for making recommendations regarding the size and composition of the board, with the objective of having a board that brings to Starbucks a variety of perspectives and skills derived from high quality business and professional experience. The Nominating/Governance Committee’s review of the skills and experience it seeks in the board as a whole, and in individual directors, in connection with its review of the board’s composition, enables it to assess the effectiveness of its goal of achieving a board with a diversity of experiences. The Nominating/Governance Committee considers these criteria when evaluating director nominees.

### Internal Process for Identifying Candidates

The Nominating/Governance Committee has two primary methods for identifying candidates (other than those proposed by shareholders, as discussed later).

# 1

The Nominating/Governance Committee may from time to time use its authority under its charter to retain at our expense one or more search firms to identify candidates (and to approve such firms’ fees and other retention terms), to assist in the identification of possible candidates to serve on our board who meet the minimum and desired qualifications being sought in candidates, to interview and screen such candidates (including conducting reference checks) and assist in scheduling candidate interviews with board members.

# 2

On a periodic basis, the Nominating/Governance Committee solicits ideas for possible candidates from a number of sources: members of the board; senior-level Starbucks executives; advisors to the Company (including the board); individuals personally known to the members of the board; and research, including database and Internet searches.

agreement between him and the Company. Personal use of the aircraft by the CEO pursuant to the time-sharing agreement requires him to reimburse the Company the operating expenses of such flights chargeable pursuant to Federal Aviation Regulations. Any executive personal travel done in connection with a business-purpose flight results in imputed income to the executive under IRS regulations and, for NEOs, "other compensation" equal to the aggregate incremental costs to the Company resulting from such personal travel. The Company's Aviation Use Policy also allows for personal guests of executive officers and board members to travel on business-related flights on our corporate aircraft under certain limited circumstances, and the executives and/or board members are imputed income for such guest travel, as required by IRS regulations.

- **Security.** We believe that the personal safety and security of our senior executives is of the utmost importance to the Company and its shareholders. Pursuant to our executive security program, we may from time to time provide personal security services to certain executives. Security services include home security systems and monitoring and, in some cases, personal security services. These protections are provided due to the range of security issues encountered by senior executives of large, multinational corporations, and particularly with respect to high-profile executives. For fiscal 2019, the Company paid \$88,700 and \$32,500 toward Mr. Johnson's and Ms. Brewer's personal security, respectively. The Company did not pay personal security costs for any other executive in fiscal 2019, except in connection with business-related travel.
- **Executive Physicals, Life and Disability Insurance.** We offer to pay for annual physical examinations for all partners at the senior vice president level and above. These examinations provide a benefit to the Company and the executive at a relatively small cost to the Company. We also provide life and disability insurance to all partners at the vice president level and above at a higher level than is provided to partners generally. The amounts paid in respect of these benefits to our NEOs in fiscal 2019 are detailed in the "Fiscal 2019 All Other Compensation Table."
- **Relocation and Expatriate Expenses.** We provide relocation assistance to some manager-level partners and all partners at the director level and above. Under limited circumstances, we provide certain reimbursements and benefits to partners that expatriate to another country for work on the Company's behalf.
- **Deferred Compensation.** Executives, as well as partners at the director level and above, are eligible to defer cash compensation under the Management Deferred Compensation Plan ("MDCP"). The MDCP is primarily intended to provide eligible partners an additional before-tax means of saving over and above that available under the 401(k) plan. We do not pay or guarantee above-market returns. The appreciation, if any, in the account balances of plan participants is due solely to contributions by participants and the underlying performance of the measurement funds selected by the participants. The measurement fund alternatives available to MDCP participants are identical to the investment funds available to 401(k) plan participants. Effective January 1, 2011, we ceased making Company matching contributions under the MDCP.

## Investing in our Partners (Our Total Rewards Philosophy)

We believe that investing in our partners results in increased engagement, satisfaction and retention, which ultimately leads to an elevated *Starbucks Experience* for our customers.

Our Total Rewards philosophy is designed to recognize and reward the contributions of all partners, including executives. We offer a comprehensive benefits package to all eligible full- and part-time partners in the U.S. and locally competitive benefits packages in other countries. In addition to our equity incentive plans discussed above, we offer an employee stock purchase plan to partners in the U.S. and Canada that allows participants to purchase Starbucks stock at a 5% discount to the fair market value at the end of each offering period under the plan. We believe our Total Rewards practices motivate our executives to build long-term shareholder value and reward the partners who take care of our customers.

- **Broad-Based "Bean Stock" Program:** A long-term incentive grant of time-based RSUs was made in November 2018 to approximately 196,000 eligible non-executive partners in 21 markets around the world, including qualified part-time partners. We refer to this broad-based equity program as our "Bean Stock" program. Bean Stock participants include those partners who work in our stores and serve our customers directly. In fiscal 2019, Bean Stock participants realized approximately \$282 million in pre-tax gains from previously granted Bean Stock awards, inclusive of over \$100 million as a result of incremental investment made in our partners following U.S. tax reform.
- **Future Roast 401(k) Savings Plan:** Available to all partners who are at least age 18 with 90 days of service. The Starbucks Match within the 401(k) is 100% of the first 5% of eligible compensation contributed. The match is immediately fully vested and is contributed to each participant's 401(k) account each pay period along with the participant's contributions. In fiscal 2019, Starbucks contributed more than \$113 million in matching contributions.
- **Insurance Coverage for Partners:** For more than 20 years, Starbucks has provided health insurance coverage for partners working 20 hours or more a week. Starbucks also provides life and disability insurance to our partners.
- **College Achievement Plan:** The Starbucks College Achievement Plan was launched in fiscal 2014. It provides eligible partners in the U.S. with the opportunity to earn a bachelor's degree online from Arizona State University with 100% tuition coverage. Additionally, our military service member and veteran partners can extend an additional Starbucks College Achievement Plan benefit to their spouse, domestic partner or child. As of the end of fiscal 2019, more than 13,000 partners were participating in Starbucks College Achievement Plan, with more than 3,000 graduates.
- **Paid Sick Time, Vacation, Holiday and Parental Leave:** Starbucks is an industry leader in paid sick time and parental leave and has competitive policies for vacation and holiday pay.

The above benefits specifically apply in the U.S., but we generally strive to provide similar benefits in all countries while considering the social coverage programs available in each country.

Executives are eligible to participate in all benefit plans we offer to partners generally. This helps us attract and retain top executive talent.

# Starbucks Approach To Sustainability

At Starbucks, we live our mission of inspiring and nurturing the human spirit every day through the convening power of coffee. Our vision to date regarding the health of the environment has been simple: sustainable coffee, served sustainably. Grounded in a history of sustainable leadership as we approach our 50<sup>th</sup> anniversary in 2021, we look to the future with a heightened sense of urgency and conviction that we must challenge ourselves, think bigger, partner with others and do much more to take care of the planet we share.

Our Company believes that today, the world needs leadership in sustainability more than ever. We agree with the consensus of scientific experts who note that without drastic action from everyone – governments, companies and all of us as individuals – adapting to the impacts of climate change in the future will be far more difficult and costly, taking a toll on our supply chains, our business, and more importantly, the lives of everyone involved, including our farmers, suppliers, partners, customers and communities.

Therefore, Starbucks is advancing the most ambitious and comprehensive sustainability initiative in our Company's history. We are committing to pursue a bold, multi-decade aspiration to become resource positive - to give more than we take from our planet. This is an aspiration that we take on, recognizing it will come with challenges and will require transformational change.

We know that leadership in sustainability takes commitment, investment, innovation, partnership and time. It took nearly two decades of dedicated effort in partnership with Conservation International to achieve the milestone of sourcing 99% of our coffee ethically through C.A.F.E. Practices. Our environmental footprint research shows that by implementing these standards, we have more than halved what our coffee's carbon footprint would have been otherwise. Becoming a leader in LEED®-certified stores took partnering with experts at the U.S. Green Building Council and a commitment to bringing sustainable practices to scale. Going further to develop a more comprehensive Greener Stores framework required a dedicated partnership with the World Wildlife Fund. We adopted the same approach to launch the NextGen Consortium with Closed Loop Partners two years ago to bring industry leaders together to develop a more scalable, sustainable cup.

We embrace our failures just as we embrace our success in sustainability: opportunities to learn, adapt and get better. We also make it a practice to share with the world what we learn – for example, through our open-source agronomy, Farmer Support Centers and open industry consortiums. Since 2001, we have published an annual Global Social Impact Report, one of the longest-running and most transparent public reporting commitments of any public company. These annual reports hold us accountable to our goals and aspirations, which constantly evolve with new information, innovation and important lessons from our efforts.

## RESPONSIBLE COFFEE – CURRENT ACTIVITY:



### Coffee Sourcing Commitment

For more than two decades, Starbucks has partnered with Conservation International on C.A.F.E. Practices, our ethical coffee sourcing program. Today, 99% of our coffee is verified as ethically sourced according to these standards. We are committed to our goals of reaching 100% ethically sourced coffee, working as part of the Sustainable Coffee Challenge to make coffee the world's first sustainable agricultural product and improving the lives of at least one million people in coffee communities around the world.

Currently, agronomists in our nine Farmer Support Centers worldwide are supporting coffee farmers to foster better crop quality and higher yields. We are distributing disease-resistant coffee tree varieties to farmers experiencing acute effects of climate change. In our buying practices, we pay premiums for coffee that meets our ethical sourcing standards, and we incentivize continual improvement.

In addition, our tea is 95% ethically sourced, verified by third-party organizations including the Ethical Tea Partnership and Rainforest Alliance. We are committed to our goal of reaching 100% ethically sourced tea by the end of 2020.



### Planting Coffee Trees

Thanks to our partners and customers, more than 40 million disease-resistant coffee trees have been donated to coffee farmers to help improve the quality and yields of their harvests. Our goal is to provide 100 million of these coffee trees to farmers by 2025.



### Open-Source Agronomy

Our Global Agronomy Center at Hacienda Alsacia in Costa Rica and nine Farmer Support Centers provide open-source training and other resources to coffee farmers around the world. Our goal is to train 200,000 coffee farmers by the end of 2020.



### Global Farmer Fund and Relief Funds

We have invested nearly \$50 million in the Starbucks Global Farmer Fund, which supports coffee farmers in improving the infrastructure on their farms and replacing older coffee trees with new ones. This comes in addition to relief funds, such as the \$20 million in relief funds that we provided in 2019 to many of our smallholder coffee farmers in Latin America who experienced the effects of low global coffee prices.



### The Starbucks Foundation Origin Grants

We are supporting women and families in coffee- and tea-growing communities by making donations to The Starbucks Foundation, which has provided approximately \$25 million in Origin Grants that focus on strengthening leadership skills and income-generating activities as well as creating healthier homes.

## GREENER RETAIL – CURRENT ACTIVITY:



### Greener Cups and Packaging

We are working across our industry through the NextGen Consortium to develop an open-source solution to use a more widely recyclable and compostable cup, and to improve recycling and composting infrastructure. Our goal is to develop 100% compostable and recyclable cups by 2022. We are committed to doubling the recycled content, recyclability and reusability of our cups and packaging by 2022 and eliminating the use of plastic straws globally by the end of 2020.



### Greener Stores

Starbucks operates more than 1,600 LEED®-certified stores around the world. Now in partnership with the World Wildlife Fund, we are going further with an open-source Greener Stores framework for development and operation. Our goal is to build and operate 10,000 Greener Stores by 2025. This framework focuses on energy efficiency and water stewardship, renewable energy, a healthy store environment, responsible materials, waste diversion and reduction of waste and engagement with our partners.



### Greener Power

Starbucks purchases enough renewable energy to power 100% of its company-operated stores in the U.S., Canada and the UK with clean energy. Worldwide, more than three-quarters of Starbucks operations are powered by renewables. Our next step has been not just to buy renewable energy, but to invest in solar and wind farms, which supports access to green power in the communities where we operate. We are now working to source 100% renewable energy for global store operations as well as our global supply chain, headquarters and office locations.



### Greener Aprons

More than 17,000 Starbucks partners around the world have enrolled in the Greener Apron sustainability training program through Starbucks Global Academy.

## NEW SUSTAINABILITY COMMITMENTS:

It is time for our Company to create an even broader aspiration – work that will require visionary thinking, new ways of working, investment of resource and urgent action.

**Our multi-decade aspiration is to become resource positive, storing more carbon than we emit, eliminating waste and providing more clean freshwater than we use.** By embracing a longer-term economic, equitable and planetary value proposition for our Company, we will create greater value for all stakeholders.

Recently, we worked with the World Wildlife Fund and Quantis to quantify the carbon, waste and water footprint of our operations and supply chain across the globe. This was the first time we had conducted that footprint assessment for all three of those areas, globally.

These benchmarks provided a clear starting point, which led us to define five environmental strategies that will begin to move us toward a resource-positive future:

1. **We will expand plant-based options, migrating toward a more environmentally friendly menu.**
2. **We will shift away from single-use packaging that ends up in landfills.**
3. **We will invest in innovative and regenerative agricultural practices, reforestation, forest conservation and water replenishment in our supply chain.**
4. **We will invest in better ways to manage our waste, both in our stores and in our communities, to ensure more reuse, recycling and elimination of food waste.**
5. **We will innovate to develop more eco-friendly stores, operations, manufacturing and delivery.**

While we're confident these five environmental strategies are directionally right, our eyes are wide open knowing that we do not have all the answers or fully understand all the complexities and unintended consequences. We do know that this journey will require new innovations and creative ideas from entrepreneurs, non-profits, our suppliers, our licensees, our partners and our customers. We will also be working in concert with widely accepted science-based target initiatives to help track our progress in conjunction with other companies.

As we move forward, **we will be transparent in reporting short- and long-term progress against our goals.** We are starting by setting three *preliminary targets* for 2030 that will be the focus of our research and operational plans over this next year:

1. **A 50% reduction in carbon emissions.**
2. **50% of our water withdrawal for direct operations and coffee production will be conserved or replenished with a focus on communities and basins with high water risk.**
3. **A 50% reduction in waste sent to landfill from stores and manufacturing.**

On Starbucks 50<sup>th</sup> anniversary in March 2021, we will formalize our 2030 environmental goals based on what we have learned between now and then. Specifically, this year we will conduct comprehensive market research and trials to better understand consumer behavior and incentives to encourage consumer use of reusable containers. Working in collaboration with experts and advocates, this research will help inform aspirational and attainable reusability goals in various markets and globally by next year.

## STARBUCKS APPROACH TO SUSTAINABILITY

For all of us as stakeholders, the journey we undertake is not only the right one for Starbucks mission as a responsible corporate citizen of the world but is also fundamental to our brand relevance and, therefore, our overall business results. As such, we remain committed to our long-term, double-digit EPS growth model and will continue to deliver targeted financial results by prioritizing the right investments across our partners, customers and planet in support of our “Growth at Scale” agenda.

To further our multi-year, resource positive vision, the Company is taking the following immediate steps in the next year to help inform the establishment of formal 2030 goals in 2021:

- Complete and publish a comprehensive environmental quantitative assessment of the carbon, water and waste footprint of Starbucks global operations and supply chain, working with the World Wildlife Fund and Quantis.
- Work with the Science Based Targets initiative to ensure Starbucks carbon reduction goal is in line with commitments needed to limit global warming to 1.5 degrees Celsius.
- Join Ellen MacArthur’s New Plastics Economy Global Commitment and align with its positive vision of a circular economy for plastics.
- Publish annual global social impact report updates on recycling efforts around the world and progress towards increasing recycled content in all our packaging, expanding beyond just hot and cold cups.
- Conduct unprecedented and comprehensive market research and trials on consumer use of reusable containers that will inform formal 2030 goals based on consumer behavior.

Starbucks partners take pride in the aspiration of “sustainable coffee, served sustainably,” an aspect in line with the progressive benefits and community service that distinguish our Company from others in retail. Our more than 100 million customer occasions each week are also critical to informing and embracing these new ambitions since so much depends on our customers’ choices. Together, along with some of the world’s most respected experts and advocates, we invite you to join us as we begin this new journey with high aspirations.

## PROPOSAL 4

# SHAREHOLDER PROPOSAL REGARDING EEO POLICY RISK REPORT

The National Center for Public Policy Research has notified the Company that it intends to submit the following proposal at this year's Annual Meeting. As explained below, our board unanimously recommends that you vote "AGAINST" this shareholder proposal. The National Center for Public Policy Research has indicated that it beneficially owns 84 shares of Starbucks Common Stock. We will provide their address promptly upon a shareholder's oral or written request. The proponents are responsible for the content of this proposal, for which we and our board accept no responsibility.

## SHAREHOLDER PROPOSAL REGARDING EEO POLICY RISK REPORT

Resolved, shareholders request that Starbucks Corporation ("Starbucks") issue a public report detailing the potential risks associated with omitting "viewpoint" and "ideology" from its written equal employment opportunity (EEO) policy. The report should be available within a reasonable timeframe, prepared at a reasonable expense and omit proprietary information.

## SUPPORTING STATEMENT

Starbucks does not explicitly prohibit discrimination based on viewpoint or ideology in its written EEO policy.

Starbucks' lack of a company-wide best practice EEO policy sends mixed signals to company employees and prospective employees and calls into question the extent to which individuals are protected due to inconsistent state policies and the absence of federal protection for partisan activities. Approximately half of Americans live and work in a jurisdiction with no legal protections if their employer takes action against them for their political activities.

Companies with inclusive policies are better able to recruit the most talented employees from a broad labor pool, resolve complaints internally to avoid costly litigation or reputational damage, and minimize employee turnover. Moreover, inclusive policies contribute to more efficient human capital management by eliminating the need to maintain different policies in different locations.

Individuals with conservative viewpoints may face discrimination at Starbucks as has been seen at other companies with far-left leadership.

Companies such as Facebook and Google routinely fire conservative employees when they speak their values. At the 2019 annual meeting of Apple shareholders, an audience member told company CEO Tim Cook about her close friend who works at Apple and lives in fear of retribution every single day because she happens to be a conservative. What she described was the textbook definition of a hostile work environment. Starbucks has also refused requests to increase the viewpoint diversity of its board. This signals to employees that viewpoint discrimination is condoned if not encouraged.

Presently shareholders are unable to evaluate how Starbucks prevents discrimination towards employees based on their ideology or viewpoint, mitigates employee concerns of potential discrimination, and ensures a respectful and supportive work atmosphere that bolsters employee performance.

Without an inclusive EEO policy, Starbucks may be sacrificing competitive advantages relative to peers while simultaneously increasing company and shareholder exposure to reputational and financial risks.

We recommend that the report evaluate risks including, but not limited to, negative effects on employee hiring and retention, as well as litigation risks from conflicting state and company anti-discrimination policies.

## BOARD RECOMMENDATION

**The Starbucks board of directors recommends that shareholders vote AGAINST this proposal for the following reasons:**

Since our founding in 1971, Starbucks has set out to be a different kind of company, one that puts people first: our partners, our customers and our communities. Our Mission and Values come to life in the promotion of equitable, diverse and inclusive cultures: in our workplace, our communities and in our stores, a "third place" where everyone is welcome and we can gather, as a community, to share great coffee and deepen human connection. A diverse and inclusive environment is critical for how Starbucks does business. Embracing diversity encourages innovation and allows us to succeed and grow. Accordingly, we seek diversity in all forms in all areas of our business, from our partners to our board of directors.

We have a publicly available Equal Employment Opportunity Policy, which provides that all partners and applicants will be treated fairly, without regard to race, color, religion, sex, national origin, age, disability, sexual orientation, marital status, veteran status, gender identity and expression, genetic information, or any other basis protected by local, state or federal law. This policy applies with regard to all aspects of one's employment, including hiring, transfer, promotion, compensation, eligibility for benefits and termination. Failure to comply with this policy will result in disciplinary action, up to and including termination of employment. Our robust policy reflects our broad cultural commitment to create a welcoming environment for everyone.

## PROPOSAL 4 - SHAREHOLDER PROPOSAL REGARDING EEO POLICY RISK REPORT

As part of our commitment to evaluate our efforts to promote equity, diversity and inclusion, we published our Civil Rights Assessment in January 2019, conducted by Covington & Burling LLP. Covington determined that our policies and procedures were consistent with our Mission and Values and were well designed and implemented to promote equity, diversity and inclusion. This work reflects our larger philosophy that, as a company, we want to welcome all perspectives and viewpoints, for the years to come.

In May 2018, we closed more than 8,000 company-owned stores in the United States to conduct racial-bias education geared toward preventing discrimination in our stores. The training was provided to nearly 175,000 partners and has become part of the onboarding process for new partners. In January 2019, we published our principles on upholding the third place. This public statement describes the key principles and responsibilities, including our position on discrimination, that will continue to guide Starbucks as we hold ourselves accountable to them.

To encourage more meaningful conversations on this topic, leaders at Starbucks reached out to the experts at Arizona State University to create a curriculum to address bias through understanding the human experience – the To Be Welcoming curriculum, which is available to all Starbucks partners and to the general public. This 15-course-curriculum addresses conscious and unconscious bias toward groups that have been marginalized at both the individual and systemic level. This academic and research-based curriculum is intended to help people navigate ways to engage with difficult topics, including race, gender, religion, political culture, disabilities, sexuality, nationality and age.

The To Be Welcoming course module “Welcoming Dialogue on Political Culture Bias” was developed by subject matter experts representing a broad range of political perspectives and draws from industry-leading research on topics related to bias and empathy, current events and from the broad fields of sociology, law, psychology, justice studies, cultural studies, ethnic studies, political science and communication. For the video panel discussions, the group brought together experts on the topic to engage in meaningful conversations with each other, with the goal of illustrating how to discuss these topics in a respectful, thoughtful manner.

As part of our commitment to foster an internal culture of equity and inclusion, we recently created a senior leadership position focused on diversity and inclusion and hired Nzinga Shaw as our global chief inclusion and diversity officer in November 2019. Ms. Shaw led diversity and inclusion at the National Basketball Association’s (“NBA”) Atlanta Hawks since December 2014 until she joined Starbucks. As the first Chief Diversity and Inclusion Officer in NBA history, Ms. Shaw was responsible for ensuring a culture of accountability and outcomes for employees, fans, customers, and community partners. At Starbucks, Ms. Shaw will be charged with building the strategy for how we integrate inclusive and equitable practices in our hiring, development, leadership and compensation practices across all functions. In addition, she will lead the strategy for our partner networks and support their important work in driving community and impact.

Our board of directors values diversity when it seeks and evaluates board candidates, with the goal of bringing to the Company a variety of perspectives, backgrounds and skills relevant to our global business activities, strengthening our ability to navigate prevailing and potential business conditions and enhancing the board’s ability to provide oversight and insight (see our Director Nominations Policy). As more fully described in this proxy statement in the section entitled “Our Director Nominations Process” (pages 31 to 32), our Nominating/Governance Committee strongly believes each candidate should contribute to our board’s overall diversity, with the concept of diversity being broadly construed. In reviewing the board’s composition, the Nominating/Governance Committee reviews the skills and experiences of the board as a whole, and of individual directors, to assess the effectiveness of its goal of achieving a diverse board.

We believe that conducting business ethically and striving to do the right thing are vital to the success of the Company. Starbucks Ethics & Compliance team supports our Mission and Values and helps protect our culture and our brand equity by fostering a culture that is committed to ethical leadership and conducting business with integrity by providing resources that help partners make ethical decisions at work.

We do this by advising and enabling leaders to drive ethical business practices, partnering with the business to ensure effective legal risk management and encouraging partners to speak up if they have questions or concerns. We provide partners with a confidential helpline for reporting any behaviors or asking any questions regarding our legal and ethical standards, as part of our comprehensive ethics and compliance program. For the 12th year in a row, Starbucks has been recognized as one of the World’s Most Ethical Companies® by the Ethisphere Institute.

Consistent with Starbucks Mission and Values, we celebrate diversity and are committed to creating an inclusive environment for all partners. Given our ongoing efforts to support a welcoming environment at Starbucks, our board of directors believes that issuing a public report detailing the potential risks associated with omitting “viewpoint” and “ideology” from our written equal employment opportunity policy, as contemplated by this proposal, is unnecessary and not beneficial to our shareholders. Therefore, our board of directors recommends that our shareholders vote against this proposal.

### Board Recommendation



The board of directors recommends a vote **AGAINST** this proposal.

**EXHIBIT D**

**A Report to**

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# **Starbucks**

**An Examination of Starbucks'  
Commitment to Civil Rights,  
Equity, Diversity, and Inclusion**

January 23, 2019

**COVINGTON**

BEIJING BRUSSELS DUBAI FRANKFURT JOHANNESBURG LONDON LOS ANGELES  
NEW YORK PALO ALTO SAN FRANCISCO SEOUL SHANGHAI WASHINGTON

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## Contents

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I.	Executive Summary	4
II.	A Message from Former U.S. Attorney General Eric Holder	6
	<i>Extraordinary Responses Inspire Hope</i>	6
	<i>Listening Sessions</i>	7
	<i>The Way Forward</i>	7
III.	About Starbucks and This Report	9
IV.	Engagement with the Civil Rights Community	12
V.	Methodology	15
VI.	Starbucks' Efforts to Promote Civil Rights, Equity, Diversity, and Inclusion	16
	Sustaining the Third Place	17
	<i>An Empowered Workforce Striving to Provide an Exceptional Customer Experience</i>	18
	Implementation of New Third Place Policies	18
	May 29, 2018, Implicit Bias Training	21
	Post-May 29, 2018, Third Place Trainings and Anti-Bias Curriculum	21
	Manuals and Onboarding Material	23
	Addressing Challenges to Creating the Third Place	24
	Engagement with Law Enforcement to Support the Third Place	25
	Listening to Partners	25
	Customer Complaints	28
	Fostering an Internal Culture of Equity and Inclusion	30
	<i>Valuing Diversity</i>	31
	Partner Base	31
	Senior Leadership and Board of Directors	31
	Hiring, Promotion, and Development	32
	Inclusion and Diversity Leader	34
	Expanding the Pipeline: Diverse Hiring and Recruitment	34
	Pay Equity	35
	Partner Networks	36
	Accessibility Office	38

<i>Anti-Discrimination Policy and Training</i>	<b>40</b>
Policies Regarding Discrimination and Harassment	<b>40</b>
Other Partner Guide Updates	<b>41</b>
Harassment Prevention Trainings	<b>41</b>
Partner Complaints	<b>41</b>
<i>Partner Benefits and Initiatives</i>	<b>43</b>
Partner Benefits	<b>43</b>
Health and Wellness	<b>43</b>
Partner and Family Support	<b>44</b>
Education and Opportunity	<b>44</b>
Finances and Investments	<b>46</b>
Partner Wages	<b>46</b>
Increasing Awareness of Benefits	<b>47</b>
<b>Community Engagement</b>	<b>49</b>
Community Stores	<b>49</b>
Military Family Stores	<b>50</b>
First U.S. Signing Store	<b>50</b>
Supplier Diversity and Inclusion Program	<b>51</b>
Supplier Social Responsibility	<b>52</b>
Creating Economic Impact Beyond the Supply Chain	<b>52</b>
Community Service	<b>53</b>
Using Their Voice	<b>53</b>
<b>The Importance of Leadership</b>	<b>55</b>
APPENDIX A	<b>57</b>
APPENDIX B	<b>61</b>

## I. Executive Summary

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Starbucks aspires to be “a different kind of company,” one that serves its customers great coffee in a welcoming “third place,” where members of the communities that surround its cafés can gather, feel welcomed, and experience a deep sense of connection. In April 2018, an incident at a Philadelphia Starbucks challenged Starbucks’ vision of itself, and raised serious questions about the effects of implicit bias in retail. Two African-American men, Donte Robinson and Rashon Nelson, were waiting for a business meeting to start when a Store Manager called the police because they had not made a purchase and refused to leave the store. The police who responded arrested Mr. Robinson and Mr. Nelson, who were held for several hours before they were released. Starbucks CEO Kevin Johnson took immediate steps to apologize to Mr. Robinson and Mr. Nelson and the Company implemented anti-bias training for 175,000 of the Company’s partners (the term Starbucks uses to refer to its employees); however, Starbucks’ leadership recognized that those steps were just the beginning.

As part of Starbucks’ ongoing efforts to understand why the incident in Philadelphia occurred and what more Starbucks could do to advance civil rights, equity, diversity, and inclusion internally and in the communities it serves, the Company engaged former U.S. Attorney General Eric H. Holder, Jr. and Covington & Burling, LLP to conduct an assessment of Starbucks’ policies, procedures, and initiatives. Covington worked closely with Starbucks over several months to understand the broad range of the Company’s current and anticipated efforts in these areas, assess how Starbucks’ policies operated in practice, and identify areas for potential improvement.

Covington organized its analysis into four categories, each of which reflects an important aspect of Starbucks’ commitment to civil rights and equal treatment: (1) Sustaining the Third Place; (2) Fostering an Internal Culture of Equity and Inclusion; (3) Community Engagement; and (4) The Importance of Leadership. Covington determined that the Starbucks’ policies and procedures it reviewed were consistent with Starbucks’ Mission and Values and that they were well designed and implemented to promote equity, diversity, and inclusion. Covington made several recommendations related to each category of its analysis, some of which Starbucks has already adopted. Covington’s recommendations are summarized below:

**Sustaining the Third Place:** Starbucks’ conception of a third place in which everyone feels welcome cannot exist if some customers are treated unequally because of bias. Behaviors that make others feel unwelcome or unsafe likewise undermine the sense of community that Starbucks strives to create. Working with Covington, Starbucks has crafted a public statement, “Starbucks’ Principles For Upholding the Third Place,” that describes the key principles and responsibilities that make the third place possible. In addition to this important step, Covington recommended that Starbucks incorporate anti-bias training into its onboarding process and continue monitoring the implementation of its policies related to customers to ensure that they are applied without bias.

**Fostering an Internal Culture of Equity and Inclusion:** Starbucks has committed to implementing diverse candidate slates and interview panels for key positions and to hiring an inclusion and diversity leader to strengthen workplace diversity and inclusion. Starbucks has also committed to implement revisions to its policies on discrimination, harassment, and retaliation recommended by Covington, designed to strengthen language regarding discrimination, anchor the policies in the Company’s Mission and Values, and make it easier for partners to locate relevant information regarding these policies. Covington also recommended that Starbucks expand its harassment-prevention training, look for additional opportunities to support the Company’s Partner Networks, and continue developing benefits to meet the needs identified by partners through Starbucks’ surveys and other partner engagement tools.

**Community Engagement:** Starbucks has a long history of community engagement, a commitment reflected in the Company’s Mission and Values. Covington recommended that Starbucks continue this work by opening an additional three Community Stores, and by expanding the number of smaller diverse suppliers used by Starbucks. Covington also recommended that Starbucks deepen ties between its stores, its partners, and the communities Starbucks serves by identifying opportunities to partner with community organizations, and by working with other retailers on community-engagement initiatives beyond hiring.

**The Importance of Leadership:** Starbucks has developed significant experience regarding the risks presented by implicit bias and, more important, the ways that global consumer companies can mitigate those risks most effectively. Covington recommended that Starbucks share what it has learned with other leaders in the business community, government, and the public sector to develop and implement best practices for eliminating bias, particularly as it affects the retail industry.

Starbucks has already undertaken significant work to implement these recommendations and others contained in this report. Starbucks senior leadership, including CEO Kevin Johnson, are committed to continuing that work and to achieving Starbucks’ goal of creating “public spaces where everyone feels like they belong.”

## II. A Message from Former U.S. Attorney General Eric Holder

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When the news broke on April 12, 2018, that Donte Robinson and Rashon Nelson had been arrested in a Philadelphia Starbucks while waiting for a business meeting to begin, I was heartbroken, but not entirely surprised. This incident, captured on video and posted online for the entire world to see, was all too familiar for brown and black people in America. It was another reminder that racial bias—explicit and implicit—remains a pernicious part of our society.

Our history is rife with instances in which people of color have been denied service or made to feel unwelcome in public spaces. In 1950, Dr. Martin Luther King, Jr. was turned away at a restaurant near Philadelphia because of his race. Almost 70 years later, Mr. Robinson and Mr. Nelson were arrested because they refused to leave a Philadelphia Starbucks. And while Mr. Robinson and Mr. Nelson’s arrests may not have been the result of explicit racial animus, the arrests demonstrated powerfully that unaddressed implicit bias can sometimes produce outcomes that are difficult to distinguish from those motivated by conscious racism.

### *Extraordinary Responses Inspire Hope*

Against this backdrop, Mr. Robinson and Mr. Nelson’s arrests remind us of how much work remains in the fight for equality. But Starbucks’ response gives me hope.

Immediately following the arrests, Starbucks’ CEO, Kevin Johnson, and others in senior leadership, traveled to Philadelphia to understand what happened. To his credit, Mr. Johnson rightly characterized the arrests as “reprehensible,” apologized to Mr. Robinson and Mr. Nelson, and publicly underscored that Starbucks stood “firmly against racial profiling or discrimination.”<sup>1</sup> Most important, he committed to making any necessary changes to prevent discrimination or racial profiling in Starbucks stores.<sup>2</sup>

On April 17, 2018, Starbucks announced that it would close all 8,000 stores in North America to conduct a half day of implicit-bias training for 175,000 partners.<sup>3</sup> Starbucks also began reviewing its policies that directly related to Mr. Robinson and Mr. Nelson’s arrests, including its policy defining who is a customer, its restroom-use policy, and when partners should call 911. Even more impressive, Starbucks embarked on a journey to holistically examine all aspects of its operations to understand what more it could do to address implicit bias and promote equity and inclusion. This Report is part of these efforts.

During this project, I met with Mr. Johnson to discuss Starbucks’ journey since April 2018, which he has led, his assessment of the Company’s work to date, and the next steps he envisions. He assured me that this work will continue, and that while this Report is an important step on this journey, it cannot—and will not—be the last one.

### *Listening Sessions*

I also had the pleasure of meeting with more than fifty Store Managers during my work on this project. I wanted to hear directly from them about why they chose to work at Starbucks, how they reacted to the arrests in Philadelphia, and what factors caused the incident. I also wanted to understand how Starbucks could most effectively support their work. To say that the partners I met with were impressive is an understatement. Each of them was committed to Starbucks, its Mission and Values, and the goal of creating a third place in which all are welcome.

In each of my listening sessions, partners shared how difficult it is to achieve this goal in communities that are deeply affected by addiction, mental illness, or homelessness. The partners I met with confront these issues every day in their stores. Many of the challenges they described were stunning. One group of partners had to call for emergency medical aid after a woman gave birth in their store's bathroom. Other partners shared equally disturbing, if less dramatic, examples of having to navigate highly charged, or potentially violent, interactions. These conversations highlighted a powerful tension between Starbucks' efforts to create a welcoming third place on the one hand, and the realities of life in our most vulnerable communities on the other. For some, the local Starbucks may be one of the only places where they can go to feel safe and warm, much less welcomed.

Many of the anecdotes that partners shared with me are reflected in this Report, as are many of their recommendations for addressing these challenges. Starbucks cannot mend our country's safety net on its own. But it can lead by example, challenging those in positions of public leadership and in the business sector to join Starbucks' efforts to build communities—and ultimately a nation—in which all are welcome.

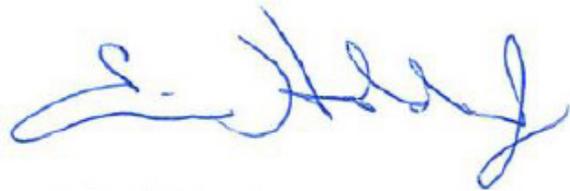
### *The Way Forward*

In 1963 President Kennedy stated, "It ought to be possible for American consumers of any color to receive equal service in places of public accommodation." America is better than it was in 1963, but is still a work in progress. The nation has shown itself to be at its best when it seriously grapples with those issues and practices that deny equal opportunity to all its citizens. Building communities of inclusion and equality requires each of us to examine our own biases and to question our unconscious assumptions about others. This is uncomfortable—painful, even—but necessary.

Starbucks' commitment to creating a welcoming third place for all—a commitment reflected in the Company's decision to treat all who enter one of its cafés as a customer—is an important ambition against the backdrop of our nation's history of discrimination in public accommodations and the limited number of truly welcoming public spaces that exist today. Mr. Robinson and Mr. Nelson's arrests stimulated public discourse about the nature of racism and racial profiling in public spaces. Starbucks' efforts following their arrests demonstrate that companies can play an important leadership role in addressing racial bias

and, in doing so, help realize equality in public spaces for all Americans.

To be clear, racial bias in public accommodations is not simply Starbucks' problem. It is an American problem. Creating lasting change will require a commitment from the entire business community, the government and others in the public sector, and every one of us as individuals to recognize and address the socioeconomic and racial challenges facing our communities, and to examine—and confront—our own biases, regardless of the color of our skin.

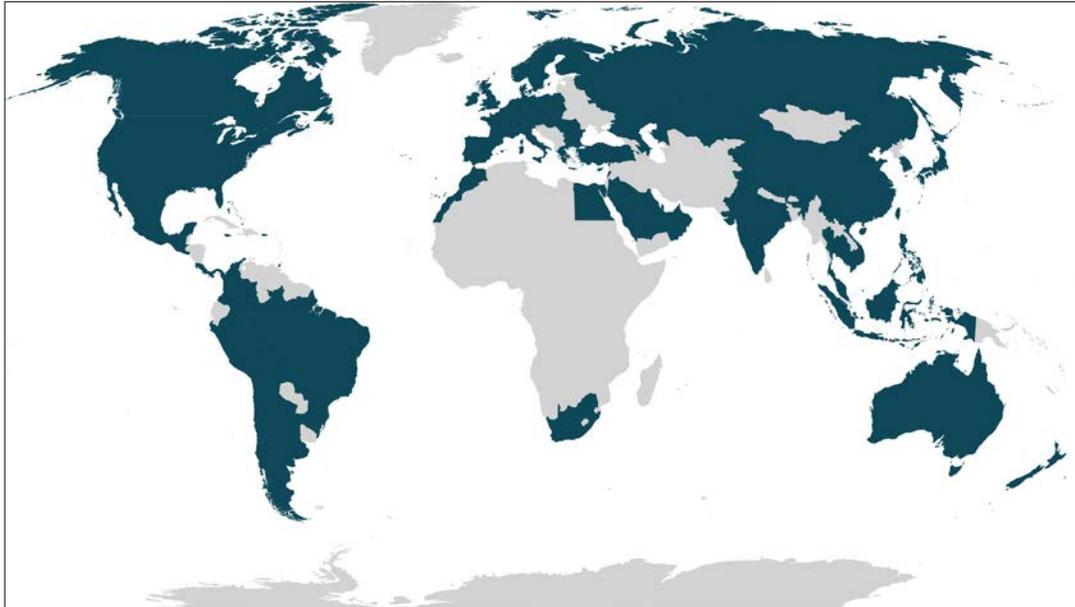
A handwritten signature in blue ink, appearing to read "E. Holder, Jr.", written in a cursive style.

Eric H. Holder, Jr.

### III. About Starbucks and This Report

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Founded in 1971 in Seattle, Washington, Starbucks Coffee Company (or “the Company”) has grown from a single roaster and retailer into an iconic global brand.<sup>4</sup> Starbucks operates stores on six continents and in more than seventy-five countries, with over 29,000 stores serving millions of customers every day.



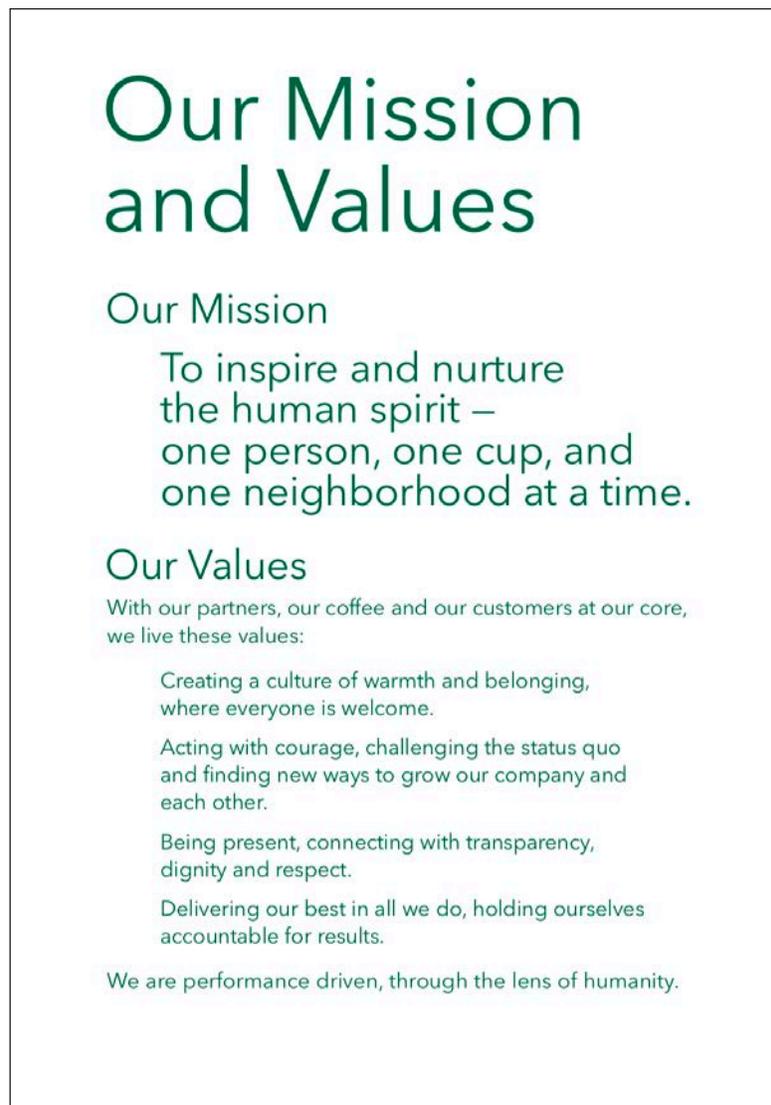
Graphic: Map of countries with Starbucks Stores

Former Chief Executive Officer, Chairman, and President Howard Schultz joined Starbucks in 1982 as Director of Retail Operations and Marketing.<sup>5</sup> While on a business trip to Italy the following year, Schultz was inspired by the sense of community he experienced at traditional Italian espresso cafés. Schultz returned to Seattle with a vision to create an American coffee bar that offered customers an experience like he had in Italy: coffee crafted with care, and served in a welcoming third place, a “social yet personal environment between one’s house and job, where people can connect with others and reconnect with themselves.”<sup>6</sup>

Since then, Starbucks’ ambition has been to create “public spaces where everyone feels like they belong.” Schultz deliberately wove a strong social consciousness into the fabric of Starbucks’ culture:

[F]rom day one, I really wanted to build the kind of company my father never got a chance to work for. A company that honors and respects the dignity of work and the dignity of all men and all women. And that is why we became the first company in all of America to provide comprehensive health insurance 30 years ahead of the affordable care act, as well as ownership in the form of stock options for all of our employees, including part-time people because it is my firm belief that success in business and in life is best when it’s shared.<sup>7</sup>

This vision is reflected in Starbucks' Mission and Values, which informs every aspect of the Company's workplace and operations.



Graphic: Starbucks Mission and Values

On April 12, 2018, Starbucks faced a challenge that struck at the core of the Company's decades-long effort to create a welcoming third place. That day, a Store Manager at the Rittenhouse Square Starbucks in Philadelphia called the police because Donte Robinson and Rashon Nelson, two African-American men who were there for a meeting, had not yet made a purchase. While waiting for a business associate to arrive, Mr. Nelson asked a store employee to use the restroom and was told that the restroom was for paying customers only.<sup>8</sup>

Minutes later, the Store Manager called the police and said that Mr. Robinson and Mr. Nelson were refusing to make a purchase or leave the store.<sup>9</sup> Police responded, briefly

spoke with Mr. Robinson and Mr. Nelson, and arrested them. Mr. Robinson and Mr. Nelson were handcuffed, escorted from the store, fingerprinted, photographed, and held for approximately eight hours.<sup>10</sup>

**A video of the arrests went viral on social media and sparked a public outcry criticizing Starbucks. The incident made headlines across the country and prompted protests at some Starbucks stores. Two hashtags, “#BoycottStarbucks” and “#WaitingWhileBlack,” began trending on Twitter and other social media platforms.**

**The arrests thrust Starbucks into the center of America’s national conversation about racism and implicit bias, particularly in the context of retail and public accommodations. In response, Starbucks embarked on a process of reflection, consultation, and assessment to understand how and why the incident in Philadelphia had occurred, given Starbucks’ deep-rooted commitments to equal treatment and the creation of a welcoming third place. Starbucks resolved to identify how it could better equip its partners<sup>11</sup> to understand and address implicit bias, and the Company redoubled its internal and external efforts around diversity and inclusion.**

As part of this work, Starbucks retained Covington & Burling, LLP (“Covington”), under the leadership of former U.S. Attorney General Eric Holder,<sup>12</sup> to review and evaluate Starbucks’ multifaceted approach to creating an inclusive and equitable work environment for partners and a welcoming third place for customers. This Report, the result of a thorough and objective evaluation conducted by Covington, describes and examines Starbucks’ ongoing efforts to promote civil rights, equity, diversity, and inclusion—both within the Company and the communities it serves.

## IV. Engagement with the Civil Rights Community

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Following the arrests in Philadelphia, Starbucks conducted an anti-bias training that began on May 29, 2018, in the United States, and continued one week later in Canada for 175,000 of its partners in North America. In preparation, Starbucks engaged Heather McGhee, former President and Distinguished Senior Fellow of Demos, Bryan Stevenson, founder and Executive Director of the Equal Justice Initiative, and Sherrilyn Ifill, President and Director-Counsel of the NAACP Legal Defense and Educational Fund, Inc., as advisors to align the training with best practices.<sup>13</sup> With the guidance of Ms. McGhee and Ms. Ifill, Starbucks spoke with and received input from dozens of anti-bias experts who are well-respected by the civil rights community.<sup>14</sup> The curriculum was co-created by SYPartners along with Alexis McGill Johnson and Rachel Godsil of the Perception Institute.<sup>15</sup> In addition, Starbucks worked internally to receive input on the creation of the training from cross-functional teams, including the Partner Resources Organization (PRO), Learning Team, Technology Services, Operations, Public Affairs, Starbucks Partner Networks, field partners, and other Starbucks' leaders.

In July 2018, Ms. McGhee and Ms. Ifill issued a report, *Toward a Vision for Racial Equity & Inclusion at Starbucks: Review and Recommendations* (the "McGhee/Ifill Report"). The McGhee/Ifill Report examined the Philadelphia incident within the broader history of racial discrimination in public accommodations and proposed several recommendations designed to promote equity, diversity, and inclusion at Starbucks. The McGhee/Ifill Report also stated the authors' "hope that the willingness of Starbucks to engage this difficult reality will inspire other public-facing corporate actors to do so as well."<sup>16</sup>

The recommendations in the McGhee/Ifill Report fall within four categories: assessment, leadership and management, implementation, and evaluation. Since the arrests in Philadelphia, Starbucks has implemented several operational changes that are consistent with these recommendations. For example, Starbucks issued a new definition of who is a customer, specified that 911 should be called only in emergencies, trained partners on how to address disruptive behaviors in stores, revamped Starbucks' Store Operations Manual to reflect post-Philadelphia policies and practices, and rolled out a new "Maintaining the Third Place" training program for its Store Managers and other store partners. Mr. Robinson and Mr. Nelson also proposed recommendations to Starbucks, which were included in the McGhee/Ifill Report.<sup>17</sup>

The McGhee/Ifill Report also called on Starbucks, as part of the assessment process, to conduct a broad "Civil Rights Audit," similar to efforts undertaken in recent years by Airbnb and Facebook. As part of its next steps, Starbucks has committed itself to a holistic, long-term review of all aspects of its operations with respect to its partners, customers, communities, and suppliers. Consistent with this commitment, and with the recommendations in the McGhee/Ifill Report, Starbucks engaged Covington to evaluate the strength of the Company's policies, procedures, and initiatives against the objectives of civil rights, equity, diversity, and inclusion. This Report is the result of that effort.<sup>18</sup>

On October 3, 2018, the Leadership Conference on Civil and Human Rights (“Leadership Conference”), a coalition of more than 200 national nongovernmental organizations dedicated to civil and human rights issues, agreed to host Starbucks for a candid roundtable. Starbucks CEO Kevin Johnson, COO Roz Brewer, and other senior leaders joined the roundtable to discuss Starbucks’ efforts to date and their work going forward. Starbucks has now joined the Leadership Conference’s Business Council and is committed to further developing its relationship with these important voices for civil rights, equity, diversity, and inclusion.

## Starbucks Post-April 12 Timeline



<b>April 12, 2018</b>	Rashon Nelson and Donte Robinson arrested in a Starbucks Philadelphia store
<b>April 14, 2018</b>	CEO Kevin Johnson releases a statement calling the outcome “reprehensible”
<b>April and May 2018</b>	Leadership conducts listening sessions with Philadelphia community, civic, and corporate leaders
<b>May 18, 2018</b>	Starbucks announces its new “Use of the Third Place Policy” and distributes a new “Addressing Disruptive Behaviors” partner guide <ul style="list-style-type: none"><li>• <i>Publishing</i> customer use expectations for Starbucks spaces</li><li>• <i>Defining</i> a “customer” as anyone who enters a Starbucks space, regardless of whether they make a purchase</li><li>• <i>Directing</i> partners to call 911 only if “a situation presents an immediate danger or threat to partner or customer safety”</li></ul>
<b>May 29, 2018</b>	Starbucks closes 8,000 stores for Company-wide implicit bias “The Third Place: Our Commitment Renewed, Training,” and makes the curriculum publicly available
<b>June 2018</b>	Rollout of the “Maintaining the Third Place” training
<b>July 2, 2018</b>	McGhee/Ifill Report published
<b>July 30, 2018</b>	Rollout of first Third Place Development Series first training module, <i>Mindful Decision Making</i> <ul style="list-style-type: none"><li>• <i>Includes</i> twelve training modules covering six topics</li></ul>
<b>August 20, 2018</b>	Rollout of second Third Place Development Series training module, <i>Leaning Into Discomfort</i>
<b>September 10, 2018</b>	Starbucks announces partnership with ASU, to develop “To Be Welcoming,” a publicly available curriculum to address specific forms of bias
<b>September 24, 2018</b>	Rollout of third Third Place Development Series training module, <i>Courageous Leadership</i>
<b>October 3, 2018</b>	Starbucks Executive Leadership meets with national civil rights leaders, hosted by the Leadership Conference on Civil and Human Rights
<b>October 4, 2018</b>	Launch of Hire! Philly coalition with job and resource fair
<b>November 29, 2018</b>	Starbucks opens 12th Community Store in Southern Dallas, following recent openings in Birmingham, AL and Brooklyn, NY
<b>January 23, 2019</b>	Release of Covington report, <i>An Examination of Starbucks’ Commitment to Civil Rights, Equity, Diversity, and Inclusion</i>
<b>January 28, 2019</b>	Rollout of fourth Third Place Development Series training module, <i>Being a Community Builder</i>

## V. Methodology

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In preparing this Report our goal was to provide an objective review of Starbucks' current policies, practices, and initiatives—and to recommend, as warranted—either revisions to them or new policies or initiatives to promote civil rights, equity, diversity, and inclusion at Starbucks. Specifically, we sought to answer three key questions:

1. Whether Starbucks' policies, procedures, and initiatives—including their implementation—are sufficient to provide an equitable, nondiscriminatory workplace for partners and third place for customers, consistent with applicable laws and regulations;
2. Whether any refinements to existing programs or new measures or initiatives, including those proposed in the McGhee/Ifill Report, would help Starbucks become a more equitable and inclusive company, for the partners and communities it serves, consistent with its Mission and Values; and
3. Whether the Company has sufficient mechanisms in place to monitor effectiveness going forward.

To answer these questions, we:

- Reviewed trainings, policies, and initiatives related to customer relations, store operations, partner resources, partner benefits, leadership diversity, community and social impact initiatives, and supplier diversity.
- Held more than twenty roundtables with over fifty of the Company's partners and senior leaders, during which we learned about the Company's operations, partner communications, diversity efforts with respect to hiring and promotions, community impact, supplier diversity, partner training, partner networks, global security, and more. We also heard a diverse range of perspectives on what Starbucks is doing well with respect to equity, diversity, accessibility, and inclusion, and where additional opportunities for progress exist.
- Convened listening sessions in Washington, D.C.; Atlanta, Georgia; Seattle, Washington; and Los Angeles, California to provide an opportunity for Store Managers to share their views directly with former U.S. Attorney General Eric Holder. More than fifty Store Managers provided their candid perspectives on the Company's response to the arrests in Philadelphia, Starbucks' Mission and Values, the May 29 training, and obstacles to creating a welcoming third place.

## **VI. Starbucks' Efforts to Promote Civil Rights, Equity, Diversity, and Inclusion**

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This Report organizes the results of our assessment and our recommendations for change around four key areas:

1. Sustaining the Third Place
2. Fostering an Internal Culture of Equity and Inclusion
3. Community Engagement
4. The Importance of Leadership

## Sustaining the Third Place

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The concept of a third place is at the heart of Starbucks' Mission and Values. Starbucks' ambition is to create "public spaces where everyone feels like they belong." Starbucks' Ops Excellence Field Guide states:

Every day, as we share great coffee, we can help make the world a little better. The third place is more than just physical space; it is an emotion. It's about creating a soulful respite from the pressures of work and home—this was true when the first Starbucks opened in 1971 and it's just as true today.

From the beginning, Starbucks set out to be a different kind of company – one that brought a feeling of connection to the communities we serve. Now more than ever, the world needs places to come together with compassion and with love. Providing a warm and welcoming third place is our most important role and responsibility, today and always.

Starbucks' concept of the third place is unique. Few companies welcome anyone to gather, work, read, and otherwise occupy retail space in the same way that Starbucks does. **This idea is important in light of the United States' history of racial discrimination in public accommodations.** Implementing it presents significant challenges for Starbucks, particularly in cafés where partners have to balance creating a welcoming third place against their responsibility to maintain a safe environment for all. It became clear during our assessment that the key to striking this balance was an empowered workforce striving to provide an exceptional customer experience.

## ***An Empowered Workforce Striving to Provide an Exceptional Customer Experience***

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As former Starbucks President Howard Behar once said, “We’re not in the coffee business serving people; we’re in the people business serving coffee.” The connection between customers and partners sets the tone in stores and must be rooted in mutual respect and understanding.

To its credit, Starbucks understood that the arrests of Mr. Robinson and Mr. Nelson demonstrated that the Company needed to examine and address the role of implicit bias in its operations and to clarify certain customer-facing policies and partner guidelines. The need to equip partners with the knowledge and skills to identify genuine emergencies, as opposed to simply potentially disruptive conduct, was particularly important. To this end, Starbucks reevaluated how the Company defined customers, when partners should call 911, and how partners should respond to disruptive customer behaviors.

### ***Implementation of New Third Place Policies***

On May 19, 2018, roughly one month after the arrests on April 12, Starbucks announced a new “Use of the Third Place Policy,” (see Appendix A) which the Company intended to enhance patron and community cooperation in creating and maintaining a welcoming third place for all.<sup>19</sup> The policy states that anyone who enters Starbucks is a customer, regardless of whether they make a purchase, and that all customers may use Starbucks’ restrooms, cafés, and patios.<sup>20</sup> It also sets forth Starbucks’ expectations for customers, which include that all customers: (1) use Starbucks spaces as intended, (2) be considerate of others, (3) communicate with respect, and (4) act responsibly.<sup>21</sup> The clarified definition of a “customer” and the use expectations contained in the Use of the Third Place Policy reflect Starbucks’ belief that everyone who works in or visits a Starbucks store—partners and customers alike—shares a responsibility for creating and maintaining a space that is genuinely welcoming to all, one in which everyone is treated with dignity and respect.

Starbucks also recognized, however, that its partners needed clear guidance about how to address disruptive or potentially dangerous behaviors in stores, so the Company created and distributed a reference guide for addressing disruptive behavior (see Appendix A). The guide directs partners to follow an “ACT Model,” which stands for “Assess,” “Consider,” and “Take Action.” This model teaches partners to observe the particular features of the disruptive behavior they are evaluating, contemplate the best course of action based on the behavior, and then redirect those behaviors appropriately, depending on the situation. Importantly in our view, the guide clarified that partners should call 911 only when there is an “immediate danger or threat to partner or customer safety.” It also provided partners with examples of when calling 911 was appropriate.

Starbucks issued the reference guide for addressing disruptive behavior to store partners. The Company also incorporated this content into the Company’s “Maintaining the Third Place” training, which was provided to Shift Supervisors, Shift Managers, Assistant Store Managers, and Store Managers. It likewise incorporated the concepts underlying Starbucks’ approach to addressing disruptive behavior into its Store Operations Manual, which is available to all store partners.

Additionally, Starbucks issued each store instructions for calling 211, or a similar resource, so partners can contact local social services as an alternative to emergency services. This document also provides a checklist of situations when calling 911 would be appropriate. Starbucks is working with United Way to identify contact information for relevant service providers, including homeless shelters, mental health services, substance abuse services, and more.

Starbucks’ definition of a customer, its expectations of how customers will use the third place, and its procedures for addressing disruptive behavior play critical, and interlocking, roles in creating and maintaining a welcoming third place. The third place cannot exist as Starbucks intends if some customers are treated unequally because of bias. But neither can it exist if partners and customers are made to feel unwelcome, or unsafe, by disruptive or potentially dangerous behaviors. During this project, we worked with Starbucks to craft a public commitment that demonstrates how these principles build upon each other to create a public space consistent with Starbucks’ Mission to “...inspire and nurture the human spirit, one cup, one person and one neighborhood at time.”

## **Starbucks Principles For Upholding the Third Place: For Our Partners, Our Customers and Our Communities**

Since our founding in 1971, Starbucks has set out to be a different kind of company, one that puts people first: our partners, our customers and our communities. Our Mission and Values come to life in the promotion of equitable, diverse and inclusive cultures: in our workplace, our communities, and in our stores, a “third place” where everyone is welcome and we can gather, as a community, to share great coffee and deepen human connection.

Starbucks commitment to live Our Mission and Values is reflected in the following principles:

- **Everyone should feel welcomed at Starbucks.** Every person who visits a Starbucks store is a customer, whether they make a purchase or not. Our customers are welcome to use the spaces we provide appropriately, including our cafés, patios and restrooms.
- **The existence of a welcoming public space is a shared responsibility.** We expect everyone who uses the third place to promote a sense of community and treat each other with respect and dignity. Behaviors that make others feel unwelcome or unsafe undermine the sense of community that Starbucks tries to promote, and they have no place in our stores. When this happens, we trust our partners to make the best decision about how to address them, guided by our existing Addressing Disruptive Behaviors procedure and Third Place trainings. When customers visit one of our stores, we **respectfully request** that they commit to:
  - Use our spaces as intended
  - Be considerate of our partners and other customers
  - Communicate with respect
  - Act responsibly
- **Discrimination is inconsistent with Our Mission and Values.** We strive to eliminate discrimination and implicit bias from every aspect of our business, including the experiences of our partners and customers at Starbucks. We do not tolerate discrimination on any basis prohibited by local, state or federal law. We oppose any public policy that would have a discriminatory impact. If you experience or see conduct that you believe is discriminatory, harassing or inconsistent with this commitment, please contact our Customer Service team at (800) 782-7282 or <https://customerservice.starbucks.com>.

Creating a truly welcoming space, where people can come together with understanding, respect and compassion, and where diverse backgrounds and life experiences are embraced, is fundamental to our role and responsibility as a company. These principles will continue to guide Starbucks and we will hold ourselves accountable to them. Together, we can create and maintain a welcoming third place, where every individual is treated with humanity, dignity and respect.

### *May 29, 2018, Implicit Bias Training*

Starbucks took the extraordinary measure of closing 8,000 stores on May 29, 2018, to conduct an implicit-bias training, titled “The Third Place: Our Commitment, Renewed,” for 175,000 partners.<sup>22</sup> The training was also made available on May 29 at all manufacturing plants and support centers, and to partners outside the U.S. and Canada. All Company-owned stores in the U.S. and Canada, as well as the corporate support center, participated in this voluntary training. The training, which was unprecedented in scale for Starbucks, was designed to educate partners about implicit bias, race, and the Company’s commitment to creating a welcoming third place for all, and to provide partners with tools for recognizing and addressing bias.<sup>23</sup> The training was four hours, and partners were paid their regular wages while attending.<sup>24</sup> The training was also made available at all stores for three months after May 29 for partners who were unable to participate and remains publicly available for other retailers to use as a model for their own training programs.

As noted above, Starbucks consulted numerous experts to help design the training. Award-winning filmmaker Stanley Nelson produced a documentary for the training, focusing on the history of race discrimination in spaces of public accommodation.<sup>25</sup> Partners were given both a guidebook and a personal journal to work through as they watched the documentary and other video and audio lessons featuring leaders from the Company and civil rights community.<sup>26</sup> The lessons examining implicit bias all followed “the same pattern—some form of inspiration (a film, a look into mind science, a leader sharing a story) followed by self- or group reflection and a chance to practice.”<sup>27</sup>

Survey data collected after the May 29 training indicated that the training resonated with many partners. More than half of partners “completely agree[d]” that they felt inspired to use what they learned to make a difference. Store Managers and hourly partners showed “significant increases” in self-reported understanding of implicit bias. Before the training, 64 percent of Store Managers and 67 percent of hourly partners completely agreed that they understood what implicit bias was. A few weeks after the training, those numbers had increased to 82 percent and 83 percent “complete agreement,” respectively. Store Managers also showed significant increases (from 38 percent complete agreement) in believing they had the tools necessary to handle difficult situations without bias, yet the overall score (49 percent complete agreement) for this metric can still be improved. Similarly, only 51 percent of hourly partners were in complete agreement that they felt equipped to handle difficult situations without bias.

### *Post-May 29, 2018, Third Place Trainings and Anti-Bias Curriculum*

Based on consultations with experts and the survey results discussed above, Starbucks understands that one training is insufficient to empower partners to begin identifying and responding differently to implicit biases. As then-Chairman Howard Schultz made clear, the May 29, 2018, training was “just the beginning of what we will do to transform the way we do business and educate our people.”<sup>28</sup> Among other actions discussed in this Report, the

Company has already implemented supplemental trainings that are ongoing. For example, in June 2018, the Company rolled out a new training program, “Maintaining the Third Place,” designed to provide Store Managers, Assistant Store Managers, Shift Managers, and Shift Supervisors with clear guidance on how to ensure a warm and welcoming store environment for everyone and how to handle disruptive behaviors by employing the ACT model.

Further, Starbucks designed a personal development series for partners that focuses on the third place.<sup>29</sup> Topics include empathy, community, courage, and inclusion.<sup>30</sup> The Company has developed eight of these trainings, organized around three themes:

- *Mindful Decision Making*: Identifies tools and strategies to help partners make unbiased decisions.
- *Leaning Into Discomfort*: Provides guidance on how to develop empathy towards people with different experiences and backgrounds and highlights the challenges facing transgender individuals.
- *Courageous Leadership*: Provides guidance to partners on setting boundaries related to disruptive behaviors, highlighting updated policies and guidelines.
- *Being a Community Builder*: Focuses on the importance of partner self-care so that they can be effective builders in their communities. This module will be released at the end of January 2019.

Two modules address each theme, and partners have one month to complete each module.

The first module for each theme, which is designed for Store Managers, District Managers, Regional Directors and all non-retail partners, is called a “Pour Over Session.” Partners view these Pour Over Sessions in the style of a TED Talk, followed by moderated question-and-answer sessions filmed with a live audience of partners. The Pour Over Sessions include an optional discussion guide for groups of leaders to use in regional and team meetings.

The second module is designed for all partners (retail and non-retail) as a structured group discussion, which includes segments from the Pour Over Session, neuroscience research on the behavioral topic covered, and recommended questions for teams to discuss. Time is allotted for each partner to participate in this group learning. The Company is in the process of completing the final two themes of six topics.

Starbucks is also planning additional training for executive leadership and new curriculum for all partners. Starbucks plans for all Senior Vice Presidents+ positions, as well as PRO (human resource) generalists and recruiters, to engage in additional experiential learning to further instill the Company’s ethic around conscious inclusion. Starbucks is also collaborating with Arizona State University (the “University” or “ASU”) and other external experts to develop an innovative curriculum on how individual and systemic biases impact daily interactions in public spaces. The “To Be Welcoming” curriculum is intended to assist retailers and others who make public space available to better navigate these issues. A

foundational course will introduce key concepts that will be used throughout the series. The course aims to equip participants with the tools needed to engage in constructive conversations about implicit bias, understand how bias affects others, and explore the role of sympathy, empathy, and compassion when engaging in critical dialogue about social differences. The curriculum will be publicly available for partners, customers, and other companies.

Starbucks is piloting a new training this spring to help Store Managers practice handling disruptive customer situations. Leveraging new technology, Store Managers can practice real-time scenarios, review their responses, and learn what adjustments they need to make when confronting similar in-store situations. Pending feedback from the pilot, Starbucks intends to expand the training to include other scenarios and offer the training to a broader partner population.

### *Manuals and Onboarding Material*

In addition to implementing trainings designed to empower partners to recognize implicit biases, Starbucks also embarked on an effort to update its policy and training manuals and other onboarding materials to reflect updated policies and emphasize the Company's commitment to diversity and inclusion. We reviewed the manuals and guides specified below to assess their effectiveness as tools to promote equity, diversity, and inclusion. Most of these documents range in length between 30 and 130 pages, totaling nearly 300 pages of material partners are expected to be familiar with.<sup>31</sup>

- **Store Operations Manual:** This manual provides store partners with key information regarding store operations, from high-level concepts, like Starbucks' Mission and Values and community engagement, to granular details like how to refund a customer's purchase.
- **Safety and Security Manual:** This manual describes Starbucks' procedures for maintaining a safe work environment, reporting safety issues, preventing workplace injuries, responding to workplace injuries and incidents such as workplace violence.
- **Ops Excellence Field Guide:** This guide details how partners can create the third place for customers and each other, including empowering retail leaders and managers to support and encourage partners to reach their full potential. The guide presents leadership skills in the context of Starbucks' Mission and Values.
- **Retail Partner Guide:** This guide provides partners with an overview of Starbucks' employment policies and standards, resources for reporting workplace concerns, and information regarding Starbucks total rewards package (compensation, benefits, savings, stock and partner perks).<sup>32</sup>

- **Partner Resources Manual:** This manual serves as a Store Manager’s “primary resource for most Partner Resources-related questions.”
- **Standards of Business Conduct:** This guide is designed to give all Starbucks partners guidance on how to “make ethical decisions at work.”
- **Global Human Rights Standard:** This standard discusses Starbucks’ commitment to “treat its employees with respect and dignity and support and uphold the provision of basic human rights and eliminate discriminatory practices.” The Standard also notes that Starbucks “expects any parties who do business on Starbucks behalf to conduct business in ways that uphold the principles of this Policy.”

These documents reflect Starbucks’ Mission and Values and the Company’s commitment to promoting equity, diversity, and inclusion for its partners and customers. Starbucks recognizes, however, that these documents can be improved. For example, the current version of the Store Operations Manual was updated recently to incorporate several recommendations consistent with the McGhee/Ifill Report. The Manual contains Starbucks’ new customer definition and includes language on other recently updated policies and guidelines, such as those addressing restroom use and how to respond to disruptive behaviors.

### *Addressing Challenges to Creating the Third Place*

In many respects, Starbucks’ stores reflect the communities they serve. And in communities affected disproportionately by addiction, mental illness, or homelessness, there are challenges to creating a third place in which everyone feels welcomed. Starbucks recently launched an initiative to study these challenges in several urban markets and to assess how to better support efforts to create a welcoming third place in them. As part of this effort they have created a cross-functional task force that will determine how to best utilize local resources, including nonprofit organizations and others service providers, to support store partners and local communities. Starbucks is also consulting with other institutions that provide access to public spaces, like public libraries, to learn about best practices for addressing disruptive behavior.

Starbucks is testing a new store-incident reporting process that allows partners to report incidents electronically, instead of by telephone. Several partners who participated in listening sessions with Mr. Holder recommended that Starbucks implement a streamlined incident-reporting process. Starbucks estimates that this will reduce the time it takes to report an incident from up to twelve minutes to approximately two minutes. This will save partners valuable time and generate data that will enable Starbucks leadership to identify stores that may need additional support.

Starbucks is also working to begin tracking calls from its stores for assistance from law enforcement as part of its store-incident reporting. This additional information could also serve as an important method of identifying stores that might require more support.

### *Engagement with Law Enforcement to Support the Third Place*

Since 2011, Starbucks has engaged law enforcement through its “Coffee with a Cop” program, which began as a partner-led program to foster direct communication between store partners and police officers.<sup>33</sup> The sessions aim to build trust between law enforcement and the communities they serve while providing Store Managers an opportunity to discuss the challenges they face in their stores with local law enforcement.<sup>34</sup> Since its inception, Starbucks has further developed the program, including through the use of toolkits in stores to facilitate conversations. Starbucks has hosted approximately 800 events across the country in collaboration with law enforcement organizations such as the National Organization of Black Law Enforcement Executives (NOBLE), International Association of Chiefs of Police (IACP), and others.

Starbucks’ goal is to promote bias-free practices for all third place and public spaces. A cross-functional team led by Starbucks’ Global Public Policy and Government Affairs group is leading a collaboration with the NOBLE to help build partnerships with local law enforcement and identify best practices intended to assist retailers and others who provide space to the public. For example, Starbucks and NOBLE will begin work to develop protocols that provide retail organizations, law enforcement, and other relevant institutions the tools to help create more welcoming public spaces and mitigate racial bias in public spaces. Starbucks and NOBLE plan to meet with other stakeholders beginning in 2019 to create a “playbook” of best practices for use by public and relevant private-sector actors.

### *Listening to Partners*

Starbucks solicits feedback from all its partners, encouraging them to express their candid views through formal and informal channels. Starbucks conducts Partner Experience Surveys quarterly and provides partners an opportunity to share feedback on a variety of areas that impact their partner experience. Partners can also provide feedback through weekly Starbucks Experience Pulse Surveys, which ask partners how well Starbucks “lived up to its values” during the partner’s last shift. In addition to these ongoing surveys, partner feedback is collected on an ad hoc basis to inform new and ongoing programs and initiatives. There are also informal opportunities where partners can share their feedback in groups across stores on Workplace, a digital collaboration tool. Partners can also call the Partner Resource Support Center. Further, Starbucks leadership has a culture of convening listening sessions with partners across the organization.

To gain insight into the challenges currently faced by Starbucks partners, Mr. Holder and the team from Covington conducted four listening sessions with Store Managers in key markets, including Washington, D.C.; Atlanta; Seattle; and Los Angeles. We identified several themes from partners' comments in the listening sessions.

First, the partners expressed extraordinary devotion to the Company and their work. Many of the partners in attendance started as Baristas and worked their way up to Store Managers, several having served ten or more years with the Company. Numerous partners expressed their plans to retire with Starbucks. Many reported that their dedication to Starbucks was tied directly to the Company's Mission and Values, which—as explained by the partners—creates an environment where they can “show up for work authentically.” Almost all of the partners agreed that they considered their coworkers to be like family.

Second, partners shared their honest views about the May 29, 2018, training and the challenges they face today in view of the revised policies implemented after the arrests of Mr. Robinson and Mr. Nelson. Several partners said that while they were initially skeptical of the training, and questioned whether it was anything more than a response to criticism after the arrests in Philadelphia, after taking it they found the training to be useful.

Many partners shared stories about how they approached disruptive behaviors differently after the training. For example, one Store Manager said that she noticed a young man walking back and forth from his seat to the packaged food area of the store, and that she anticipated he might be considering stealing something. She explained that before the training, she would have quickly asked the young man to leave the store. Applying what she learned in the training, however, she instead sat with the young man and his friend and began a conversation with them. They told her that they were residents in a nearby homeless shelter, and that while they were grateful to have taken a bath that day, they were hungry. The Store Manager gave the young men a hot breakfast and told them that they could stay as long as they wanted, as long as they were respectful in the café. Other partners told similar stories, noting that the training taught them the importance of focusing on a customer's behavior, and whether it was truly disruptive or inappropriate, rather than on a customer's appearance or other characteristics. Several partners also said that they appreciated the Pour Over Sessions and hoped that Starbucks would develop additional modules.

Many participants offered recommendations for Starbucks consideration, several of which we have highlighted below. Several partners noted that the frequency of disruptive behaviors varied widely among stores and that specific behaviors occurred more frequently in some stores than in others. These partners encouraged Starbucks to develop trainings on the most effective responses to specific disruptive behaviors and to offer them in the markets where they occurred most frequently. Generally, partners expressed the view that tailored trainings would be more effective than a “one-size-fits-all” approach.

## Key Recommendations from Listening Sessions

- Consider providing additional staff or training in stores where disruptive behaviors occur most frequently. Starbucks is currently conducting a pilot program regarding this recommendation.
- Design trainings for addressing disruptive behaviors, tailored to low-, medium-, and high-incident stores. These trainings should use real-world examples of the challenges faced by Starbucks partners and should reinforce the principles underlying Starbucks' current approach to addressing disruptive behavior. Starbucks is currently conducting a pilot program regarding this recommendation.
- Raise public awareness of Starbucks' goal of creating a welcoming third place and emphasize to customers that they share responsibility for maintaining it. Regional Managers and District Managers should emphasize that maintaining a welcoming third place is as important as the Company's business metrics.
- Take advantage of opportunities to feature additional people of color and individuals from underrepresented backgrounds in the Pour Over Sessions.

### *Customer Complaints*

We reviewed Starbucks' procedures and processes for intake and handling of customer complaints. Customers can submit complaints directly to any store partner or can lodge complaints with the Customer Contact Center (CCC) via telephone or email. Contact information for the CCC is located on the Starbucks website. Starbucks also has a team dedicated to monitoring customer complaints on social media, which is the channel through which Starbucks first learned about the arrests of Mr. Robinson and Mr. Nelson.

During our meetings with Starbucks, we learned that the CCC receives around six million contacts per year in the U.S., Canada, and the U.K. The CCC team is comprised of an executive team that handles escalated or "level 3" incidents such as the arrests of Mr. Robinson and Mr. Nelson, escalated from a team that handles "level 1" and "level 2" incidents, and a third team that receives customer contacts through social media. Starbucks also outsources some customer-care calls.

The most common customer complaints relate to beverages or the placement of money on a Starbucks card. Complaints of racial discrimination are rare and number in the low hundreds annually, a small fraction of the millions of interactions between customers and partners in a given year. After the arrests on April 12, 2018, there was a spike in customer complaints generally until approximately June 2018. A similar spike followed the release of the new policies regarding the use of the third place and who is a customer.

Overall, we found that the CCC processes are thorough, with clear guidelines to ensure that complaints are escalated as needed. As indicated in our recommendations, we encourage Starbucks to perform spot audits of the system to determine whether there are any gaps in the routing and resolution of customer complaints.

## Recommendations to Sustain the Third Place

The following recommendations are intended to supplement the important work that the Company has already undertaken to reinforce that the responsibility for maintaining a welcoming third place is shared by Starbucks' partners and customers alike. We recommend that Starbucks:

- Promote, as described above, “Starbucks’ Principles for Upholding the Third Place” and use it to increase customer awareness of Starbucks’ concept of the third place and the values and shared responsibilities underlying it. As part of this effort, Starbucks should consider asking customers to acknowledge the Third Place Principles and Starbucks’ customer-use expectations when accessing a store’s WiFi network. Starbucks should also consider expanding its use of in-store artwork, featuring local artists and influencers where possible, to promote the Third Place Principles, and the concept of a third place where everyone is treated with dignity and respect.
- Provide anti-bias training to new partners during the onboarding process.
- Revise Starbucks’ existing policy and training manuals to feature the sections describing Starbucks’ customer definition and approach to addressing disruptive behavior at the front of each document, and update Starbucks’ Safety and Security Manual to incorporate this new policy and guidance. Starbucks should also revise its policy and training manuals to reduce redundancies and cross references among the manuals. Starbucks has committed to revise its existing policy and training manuals to reflect these recommendations.
- Continue monitoring and evaluating implementation of the Use of the Third Place Policy and addressing disruptive behavior procedure to determine whether stores or partners in some markets need additional support to create and maintain a welcoming and safe third place.
- Conduct spot audits of the CCC reporting and routing systems to ensure that all calls are being properly routed and resolved. In addition, consider conducting spot audits, as suggested in the McGhee/Ifill Report, to evaluate any potential variances in customer service experience based on race, and to ensure that Starbucks’ customer definition is being implemented without bias.<sup>35</sup>
- Continue convening working groups composed of partners who work in stores where serious disruptive behaviors occur more frequently, to develop best practices for responding to disruptive behavior, and for preserving a welcoming third place, despite these behaviors.

## **Fostering an Internal Culture of Equity and Inclusion**

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Starbucks is committed to fostering a diverse and inclusive workplace that reflects the communities Starbucks serves. Starbucks recognizes that diversity is about taking steps to employ partners from a broad array of backgrounds and experiences, and that equity is about ensuring all partners are empowered to succeed. Starbucks has already implemented a wide variety of policies, programs, and initiatives aimed at strengthening workplace diversity and inclusion, many of which have been effective.

To identify potential gaps and opportunities for improvement, we evaluated several aspects of the Company's approach to equity and inclusion in the workplace. Specifically, we reviewed the work currently being done through the Company's Inclusion, Diversity, Equity, and Accessibility (IDEA) programs. We reviewed the Company's Partner Guides (employee handbooks), along with its Equal Employment Opportunity (EEO) policy and harassment-prevention training. We also assessed Starbucks' policies and procedures encompassing recruitment, hiring, promotions, pay, benefits, partner communications and engagement. Within each area, we evaluated whether existing programs complied with applicable laws and whether they were sufficient to foster equity, diversity, and inclusion for partners. We also determined what refinements, revisions, or new policies and programs would boost internal progress toward equity, diversity, and inclusion. Furthermore, recognizing that the workforce, social values, and compliance and regulatory requirements are always evolving, we reviewed whether Starbucks has appropriate mechanisms in place to measure progress and effectiveness.

## ***Valuing Diversity***

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The business case for workplace diversity is well established. Diversity improves decision making,<sup>36</sup> increases employee engagement,<sup>37</sup> unlocks innovation,<sup>38</sup> and spurs economic growth.<sup>39</sup> Starbucks has long recognized the value of a diverse workforce, and many of Starbucks' diversity and inclusion commitments have earned the Company public recognition. For example:

- Starbucks achieved a score of 100 on the Human Rights Campaign's Corporate Equality Index for LGBTQ inclusion each year from 2015 through 2018.<sup>40</sup>
- Starbucks achieved a 100 percent score on the Disability Equality Index each year from 2015 through 2017.<sup>41</sup>

After the arrests of Mr. Robinson and Mr. Nelson, Starbucks committed to increasing and maintaining diversity throughout the Company, including at the highest levels of its leadership. As part of our review, we considered the Company's historic, ongoing, and planned initiatives to increase diversity.

### ***Partner Base***

Starbucks provides its diversity statistics publicly on its website.<sup>42</sup> Women and minority representation in the Starbucks partner base is strong compared to the national average for retail companies. Forty-six percent of Starbucks store partners are minorities, and 68 percent are women.<sup>43</sup> The national industry average is approximately 33 percent minorities and 48 percent women.

Perceptions of overall diversity among Starbucks partners are high. Ninety-one percent of partners surveyed agreed that Starbucks has a diverse and inclusive workforce.

### ***Senior Leadership and Board of Directors***

Diversity among Starbucks' Board of Directors and senior leadership compares favorably to other large U.S. companies. Women, two of whom are African-American, make up 40 percent of Starbucks' Board of Directors, placing Starbucks in the ninety-seventh percentile among S&P 500 companies in terms of board diversity.<sup>44</sup> For C-suite, Senior Vice President, and Vice President positions, Starbucks' numbers for end-of-year 2017 exceeded in most categories the average for all U.S. companies, as reflected in the McKinsey 2018 Women in the Workplace study (see chart below).<sup>45</sup> Starbucks' 2018 numbers were similarly impressive against the McKinsey study figures, showing year-over-year improvement in some categories, including women in the C-suite and Vice President roles.

	All Companies (%) 2017 End of Year (McKinsey)				Starbucks (%) 2017 End of Year (McKinsey)				Starbucks (%) As of 11/25/2018			
C-Suite	4	19	9	68	6	19	13	63	13	20	13	53
SVP	4	19	9	67	5	34	15	46	0	41	16	44
VP	6	24	12	59	11	34	11	45	17	31	11	41

Women of Color	White Women	Men of Color	White Men
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Graphic: Chart depicting McKinsey 2018 Women in the Workplace study

These data also reveal, however, that there is room for Starbucks to improve the representation of women and people of color among its leadership, a fact that the Company acknowledges. Starbucks has made strides toward increasing diverse representation in leadership in recent years, particularly for women. In 2015, Starbucks committed to a 50 percent increase in the representation of women and minorities in senior leadership by 2020.<sup>46</sup> Starbucks achieved its goal for women in 2018 and raised the bar to gender parity, aiming for women to hold 50 percent of the Company’s senior leadership roles by the end of 2020.<sup>47</sup> Starbucks continues to progress towards the 2020 goal for minorities, having increased minority representation in some leadership categories, **including** among Vice President and Director roles throughout the Company.

### *Hiring, Promotion, and Development*

Starbucks is considering several initiatives to increase diversity throughout its partner base. Specifically, the Company is designing improvements to its hiring and promotion processes that will include guidance regarding role expectations and how to assess candidate qualifications. Starbucks will also improve its hiring practices to increase diversity during the interview process.

The following initiatives are underway:

- **Promotion targets:** Starbucks has a comprehensive executive workforce goals program, known as “IDEA Insights & Opportunities,” that sets diversity goals for all U.S. leadership positions from District Manager and above. This program is

the primary driver of leader accountability in the inclusion and diversity space. Starbucks is in the process of expanding its program and will soon set targets for every Store Manager+ position.

- **Internal candidate profiles:** Starbucks is working to enhance its applicant tracking platform for internal talent movements in U.S. Retail. Internal candidate profiles will be developed and enhanced to allow partners, from Baristas up to Store Managers, to view promotion opportunities and express interest in open roles. Store Managers, District Managers, and Regional Directors will have access to a wider talent pool based on who is interested. The Company will provide training for partners on how to create a profile, express interest, and report concerns.
- **Management training:** Starbucks is working to equip its managers with the knowledge and tools to identify values of inclusion and building diverse teams. In 2018, the Company launched a two-and-a-half-hour training for all retail and non-retail hiring managers called “Building Great Teams.”
- **Ops Excellence Field Guide:** As noted in the *An Empowered Workforce Striving to Provide an Exceptional Customer Experience* section, this guide provides baseline operational and leadership expectations for all roles from Barista to Regional Vice President. The guide is intended to be used by partners to assess their own performance and career-development needs, and by leaders to assess partner performance and provide performance and development coaching. The guide was updated following the arrests in Philadelphia to reinforce expectations on diversity and inclusion.
- **Diverse interview slates:** The success of diverse slates is documented, with research showing a noticeable increase in the number of minorities hired in roles for which the practice was adopted. Starbucks plans to implement diverse slates and interview panels for key positions. Each pool of candidates interviewed for an identified position will include at least one woman and one member of an underrepresented minority group. Starbucks will also include at least one woman and one member of an underrepresented minority group on each applicant’s interview panel to encourage diverse perspectives in the feedback and evaluation of candidates. Starbucks is committed to implementing diverse slates and interview panels for all SVP+ roles across the organization. In addition, PRO (human resources) leadership is piloting diverse candidate slates and interview panels beginning in 2019 for all Director+ roles. The organization will then consider whether to extend this beyond PRO. This approach will ensure that members of the populations currently underrepresented are interviewed with appropriate consistency.

### *Inclusion and Diversity Leader*

Starbucks intends to hire an inclusion and diversity leader, who will serve in the Company's PRO organization as a Vice President. We consider this an important role that reflects Starbucks' interest in a sustained commitment to promoting diversity and inclusion. In our experience, sustained efforts to promote diversity and inclusion require regular consultation with senior leadership and the Board of Directors and a mechanism to design and implement changes across the business. We understand that Starbucks expects that the leader will report regularly to Starbucks' Executive Leadership Team, including the CEO and COO, as well as to the Company's Board of Directors.

### *Expanding the Pipeline: Diverse Hiring and Recruitment*

Starbucks' current hiring efforts seek to expand the pipeline of diverse candidates and build a more diverse workforce and strengthen local communities by providing employment and transferable skills to populations facing barriers. This work is reflected in the following hiring and recruitment initiatives:

- Since 2013, Starbucks has hired over 21,000 veterans and military spouses and has committed to hiring 25,000 veterans and military spouses by 2025.<sup>48</sup>
- In 2017, Starbucks committed to hiring 10,000 refugees globally by 2022.<sup>49</sup>
- Starbucks has committed to hiring 100,000 Opportunity Youth by 2020, and the Company is on track to meet this goal.<sup>50</sup> "Opportunity Youth" are the roughly five million Americans ages sixteen to twenty-four who are not working or in school, and who face systemic barriers to both.<sup>51</sup> Since 2015, Starbucks has hired more than 65,000 Opportunity Youth, the majority of whom are people of color. In addition, Starbucks launched a coalition, the 100,000 Opportunities Initiative™. The coalition has committed to hiring one million Opportunity Youth by 2021. In addition, Starbucks currently serves on the board of LeadersUp, an initiative to provide jobs for Opportunity Youth across supply chains in manufacturing, logistics, and other fields.<sup>52</sup>
- Over the past few years, many states, cities, and counties have enacted "ban the box" or "fair chance" legislation, barring businesses from asking an applicant about his or her criminal history until after an interview has taken place or a conditional job offer has been extended. Recognizing the importance of "second chance" hiring, Starbucks is one of the few public companies that has advocated publicly for expansion of ban the box legislation.<sup>53</sup> The Company also has adopted a "fair chance" policy for all U.S. hiring and locations.<sup>54</sup> This means that Starbucks does not ask about criminal history on job applications and conducts background checks only after an applicant has been given a conditional offer of employment.<sup>55</sup> The policy also allows individuals to appeal adverse hiring decisions based on criminal

history. This provides these individuals with the chance to be evaluated as a whole person by having their circumstances considered on a case-by-case basis.<sup>56</sup> The majority of appeals are accepted.

### Pay Equity

Based on a Company-wide compensation study conducted in 2008, Starbucks committed to ensuring that women, men, and people of all races, were paid fairly.<sup>57</sup> The Company developed pay equity principles focused on the behaviors that lead to equity.<sup>58</sup> The Company also implemented several steps to achieve pay equity, including regular compensation analyses, using an “offer standards calculator” to determine starting pay ranges for certain positions, changing promotion procedures, and transparency regarding the Company’s progress towards pay equity.<sup>59</sup>

In 2018, Starbucks achieved 100 percent pay equity in the U.S. for women and men and people of all races for partners performing similar work.<sup>60</sup> This work was built on the foundation of Starbucks’ pay equity principles, which include ending the practice of asking applicants about salary history and providing salary ranges to any candidate who requests it. Starbucks understands that it is not enough to achieve pay equity—the Company must maintain it. Starbucks has committed to continually monitoring partner compensation to ensure that disparities do not occur.



Graphic: "The Path to Equal Pay" infographic by Starbucks

Starbucks is also committed to helping other multinational companies achieve pay equity.<sup>61</sup> Starbucks has partnered with Billie Jean King and her Leadership Initiative, the National Partnership for Women & Families, and the American Association of University Women (AAUW) to encourage other multinational companies to achieve global gender pay equity. In addition, Starbucks has posted its “Pay Equity Principles & Best Practices” on its website as a resource for other organizations that also seek to achieve pay equity.<sup>62</sup>

### *Partner Networks*

The Starbucks Partner Networks, which are supported by the Company’s IDEA team, are a valuable component of Starbucks’ diversity and inclusion efforts. Partner Networks are groups formed around human perspective (i.e., age, ethnicity, gender, disability, race, or sexual orientation) or cultural perspective (i.e., economic class, education, geographic location, language, life experience, military experience). All partner networks have a leadership presence in the Starbucks Support Center and chapters within the retail organization.

Partner Networks are intended to: (1) connect, engage, and develop partners; (2) share knowledge, experiences, and cultural insights; (3) build relationships with external communities; and (4) provide diverse insight and perspectives to the organization. Each Partner Network has at least three executive champions at the Vice President level and above, including at least one Senior Vice President. Executive champions are charged with using their functional expertise and leadership to advocate for their network.

As part of our assessment, we met with leaders from each Partner Network to discuss their perspectives on how Starbucks could better support Partner Networks and, in turn, underscore the Company’s commitment to diversity and inclusion. Key suggestions offered include: (1) while the engagement of executive champions has been an important source of support, opportunity remains for additional support or commitment from all levels of leadership with a focus on direct line supervisors, (2) improve communication channels and technology to more easily reach partners at the Seattle Support Center (SSC), regional offices, and retail locations and collaborate across networks and chapters, and (3) support the Networks as they work to expand their program offerings across both the SSC and field chapters. We address these ideas in our recommendations.

## Starbucks Partner Networks



### Access Alliance

*Advance a culture of accessibility and disability inclusion at Starbucks*



### NEXT at Starbucks

*Support and empower the next generation of Starbucks leadership*



### Armed Forces Network

*Welcome, engage, and empower Starbucks veteran, military spouse, and advocate partners in cultivating a strong community that embraces veterans in the workplace and enriches the Starbucks Experience*



### Pan-Asian Partner Network

*Foster meaningful connections and elevate the impact of Pan-Asian partners and allies within Starbucks and the community*



### Black Partner Network

*Share the heritage of the African diaspora to develop partners, advise our business and enrich Starbucks contribution to our customers and communities*



### Pride Alliance Network

*Strives to cultivate an equitable, dynamic and supportive environment for LGBTQ partners, allies, and customers*



### Hora del Café

*Celebrates the Latino culture, develops partners and positively impacts our customers and communities*



### Welcoming Refugees Alliance

*Welcome and support our refugee partners, and help us advance our commitment to supporting refugee communities in the U.S. and around the world*



### India Partner Network

*Develops a global community contributing to the growth of the India market, celebrates Indian culture and supports the growth of partners from the region*



### Women's Impact Network

*Ignite the power of women to make an impact through partners, allies and community*

*Accessibility Office*

Starbucks' commitment to accessibility integration and disability inclusion led the Company to launch its Accessibility Office in 2017. The Accessibility Office is working to improve Starbucks' culture, hiring, and infrastructure for people with disabilities. The Accessibility Office has begun meeting with Starbucks departments to discuss how they can create a "culture of belonging" and integrate accessibility into their internal products, such as Starbucks' intranet.

The Accessibility Office, which includes partners with disabilities on its staff, also supports the Company's existing and planned efforts regarding equity, diversity, and inclusion. For example, it will review the anti-bias training modules and platform developed by ASU (described above) to ensure that the training is accessible, and it supports the PRO organization in providing partners with reasonable accommodations.

## Recommendations for Fostering an Internal Culture of Equity and Inclusion

### *Inclusion and Diversity Leader*

- As discussed above, as Starbucks implements the role of inclusion and diversity leader, this position should have opportunities to report directly to Starbucks' Executive Leadership Team, including the CEO, and the Board of Directors.

### *Partner Networks*

- Encourage all levels of leadership to explore ways to provide greater support for Partner Networks in order to raise the visibility and importance of the Partner Networks internally throughout the business and drive greater partner participation.
- Incorporate an opportunity for new partners to join Partner Networks during the onboarding process.
- Create a single, internal resource, perhaps a revised "Partner Hub" on the Company's intranet, to host resources regarding the Partner Networks and to allow partners who wish to learn more about the Partner Networks to find information about them easily.
- Consider additional ways to support the Partner Networks. Specific examples based on partner feedback include sponsoring events, programs, or initiatives and the implementation of additional avenues for communication, such as a diversity council.

### *Partner Engagement*

- Continue to survey partners periodically to assess partner perceptions of the Company's culture for equity, diversity, and inclusion.

## **Anti-Discrimination Policy and Training**

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### *Policies Regarding Discrimination and Harassment*

A strong EEO statement along with a comprehensive policy against workplace discrimination and harassment are key elements in any company's effort to create and maintain a culture that promotes equity, diversity, and inclusion. An effective policy sets the right tone and communicates the organization's commitment to creating a respectful and safe environment for all employees regardless of race, gender, or membership in another protected class. An effective policy also will clearly communicate what is prohibited, make it easy for workers to report problems without fear of reprisal, and present an organized process for promptly and impartially reviewing, investigating, and resolving conduct that may violate the policy.

We reviewed Starbucks' EEO statement, its "Harassment and Discrimination Prohibited" policy, and related sections of the Partner Guide with these points in mind. While Starbucks' EEO statement and "Harassment and Discrimination Prohibited" policy both comply with the law, we believe that they could be strengthened. Starbucks has committed to revising these policies, as well as its Partner Guide, consistent with Covington's recommendations.

Currently, the "Harassment and Discrimination Prohibited" policy is listed alphabetically in a section of the Partner Guide containing Starbucks' "General Policies and Standards." Its placement risks obscuring the importance that Starbucks places on creating an inclusive workplace. We recommend grouping all of Starbucks policies related to preventing discrimination, harassment, and retaliation, as well as policies on workplace accommodations, into one separate section in the Partner Guide, to simplify locating and referring to them. We further recommend that Starbucks prominently include in the same section information regarding the resources available to partners who wish to report discrimination, harassment, or retaliation. We recognize that the relevant contact information already exists in another section of the Partner Guide, titled "How We Communicate." However, to streamline the steps needed to report potential misconduct, we recommend including the relevant contact information with the policy itself.

The "Harassment and Discrimination Prohibited" policy could be improved by defining, describing, and communicating how to report prohibited discrimination. Currently, it contains relatively little language specifically defining or describing prohibited discrimination, and the section of the policy that explains how to report violations refers to instances of harassment, retaliation, and "offensive" conduct, but not to discrimination.

### *Other Partner Guide Updates*

There is another section of the Partner Guide, titled “Starbucks: The Story,” that could be strengthened by including a direct reference to Starbucks’ customer definition. This short section explains the reasoning behind the Company’s name and logo and identifies several of Starbucks’ most important values, including the Company’s commitments to its partners and to creating a welcoming third place. We think that this section presents another opportunity for Starbucks to emphasize to its partners two important points related to this assessment: the Company’s definition of a customer, and its commitments to preventing discrimination and promoting diversity.

### *Harassment Prevention Trainings*

Certain states require that employers provide specific workplace harassment prevention training to supervisory employees or, in some cases, to all employees. Our review of Starbucks’ training protocols found that Starbucks is in compliance with applicable state-specific requirements. Starbucks also extends harassment prevention training beyond those requirements to store partners in managerial roles (generally, Assistant Store Managers and Store Managers) in the U.S. and Canada, as well as to all non-store partners globally. In particular, Starbucks provides workplace harassment prevention training to partners during new-hire onboarding and provides refresher trainings on a regular basis.

### *Partner Complaints*

An important component of any company’s efforts to ensure diversity, equity, and inclusion is a clear employee complaint process for reporting workplace concerns without fear of reprisal. Our assessment included a review of Starbucks’ procedures and processes for intake and handling of partner complaints regarding discrimination, harassment, and retaliation.

We found that partners have multiple avenues to report concerns, including calling or emailing the Partner Contact Center (PCC), which includes the Partner Resources Support Center (PRSC), and the Ethics and Compliance Helpline. Contact information is published in multiple places in the Partner Guides and is posted at the back of each store. The Company also has clear procedures for how complaints are to be handled and a strong anti-retaliation provision in the Partner Guides.

During our meetings with Starbucks, we learned that the PCC receives calls on a vast range of issues, such as paychecks, policy clarification, benefits, and claims of wrongdoing. A small percentage of the calls received by the PCC involve discrimination or harassment, and those are routed to the Ethics and Compliance team, which is principally responsible for conducting investigations and recommending remedial action in cases involving allegations of discrimination, harassment, or retaliation. The Ethics and Compliance

team’s investigative process includes thorough documentation of all investigation steps, including witness interviews, key documents reviewed, conclusions, and recommendations for corrective action. We reviewed several investigative reports and found them to be comprehensive.

## Recommendations for Fostering an Internal Culture of Equity and Inclusion

### *Revisions to Starbucks’ Partner Guides*

Starbucks has committed to incorporating the following recommendations into the next versions of its Partner Guides, which Starbucks expects to publish in 2019.

- Create a new section in the Partner Guides, immediately following the “Pay” section, to set forth all of Starbucks’ policies for preventing discrimination, harassment, and retaliation and for providing reasonable accommodations, as well as all contact information needed to report potential misconduct.
- Revise the section of the Partner Guides titled “Starbucks: The Story,” to include an “Our Customers” section that would contain Starbucks’ updated customer definition, and reflect the Company’s commitments to preventing discrimination and to creating an inclusive workplace.
- Revise the “Harassment and Discrimination Prohibited Policy” and EEO statement to anchor the Company’s efforts to prevent discrimination, harassment, and retaliation in Starbucks’ Mission and Values. Consistent with this recommendation, Starbucks has adopted a new EEO statement, which is included in Appendix B.

### *Training*

- Expand harassment prevention training during onboarding to include all store-level partners in the U.S., and expand refresher training to include all U.S. partners not less frequently than every two years.
- Update Starbucks’ onboarding and training materials to educate new partners about the avenues available for submitting complaints.

## Partner Benefits and Initiatives

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### *Partner Benefits*

Starbucks has been a leader in providing its partners, including part-time partners, with comprehensive and valuable employee benefits. In 1988, Starbucks launched a benefits package that included affordable healthcare for partners who worked at least twenty hours a week, “Bean Stock” (Starbucks shares) for partners who were eighteen years old and had been working at least ninety days, and a 401(k) plan with matching contributions to attract and retain talent. Then and now, Starbucks was “an outlier in the food and beverage chain industry” for its generous partner benefits.<sup>63</sup>

In late 2017, consulting firm Aon Hewitt completed a benefits benchmarking report that compared Starbucks’ benefits package to thirty-nine other major retail companies. The report concluded that “Starbucks provided higher value benefits to retail hourly employees than any other company measured.” The report placed Starbucks first among all companies included in the benchmarking comparison for part-time employee benefits. As part of our assessment, we reviewed the Starbucks Total Rewards benefits package. We examined whether the benefits were well-designed for **all partners and determined that Starbucks’** employee benefits offerings are generous and comprehensive. Our recommendations are largely geared toward monitoring utilization and continuing to scrutinize new benefit offerings for potential disparities in utilization.

### *Health and Wellness*

#### Healthcare

Starbucks’ healthcare coverage is an important part of its total rewards package and reflective of the Company’s Mission and Values. The Company offers health coverage that extends to family, including dependents and same-sex partners, to both full- and part-time partners, regardless of the position they hold at Starbucks.<sup>64</sup> **Eligible partners can select from a catalog of medical, dental, and vision plans that vary by geography. Cost and level of care vary by plan.<sup>65</sup> Starbucks covers seventy percent of the premium cost for eligible employees. Starbucks reports that the coverage provided is fully comprehensive for all healthcare needs and includes 100 percent of the cost of preventive care services, including women’s preventive health services.<sup>66</sup>**

Notably, Starbucks’ health insurance plans cover transgender health, which is broader coverage than is typically offered under most health plans.<sup>67</sup> Starbucks worked with the World Professional Association for Transgender Health (WPATH) to ensure coverage for procedures encompassed in WPATH clinical guidelines for transgender health.<sup>68</sup> **This includes coverage for gender reassignment surgery—which is the only transgender health benefit covered under most employer plans—and for many other gender-affirming procedures that are typically not covered by insurance because they are considered**

“cosmetic,” such as breast reduction or augmentation, facial feminization, hair transplants, and more.<sup>69</sup>

## *Partner and Family Support*

### Parental Leave

In 2017, Starbucks expanded its parental leave program.<sup>70</sup> Now, all partners have access to parental leave, with varying lengths and pay replacement, as follows:

- *Birth mothers:* Benefits-eligible birth mothers (those working at least twenty hours a week) receive at least six weeks of fully paid leave for medical recovery;
- *All new parents, for birth, adoption, or foster placement:* Benefits-eligible new parents receive six weeks of fully paid leave, regardless of federal Family and Medical Leave Act eligibility, and may take an additional twelve weeks of unpaid leave. Eligible non-store partners receive at least twelve weeks of fully paid leave.<sup>71</sup>

### Partner and Family Sick Time

The Starbucks Partner and Family Sick Time program allows all U.S. partners to accrue paid sick time based on hours worked and use that time for themselves or a family member that needs care. Partners accrue this time at a rate of one hour for every thirty hours worked, thus a partner working twenty-three hours a week can expect to accrue approximately five days of sick time over the course of one year.

### Care@Work

In 2018, Starbucks implemented the *Care@Work* initiative to provide additional support beyond the existing parental leave and partner and family sick time policies. *Care@Work* provides all Starbucks partners with ten subsidized backup-care days per year.<sup>72</sup> Partners pay \$1 per hour for in-home backup care or \$5 per day for in-center child care.<sup>73</sup> Partners also receive a free premium membership to Care.com, valued at \$150, and access to Care.com’s platform of caregivers.<sup>74</sup> The program also provides free access to a Senior Care Advisor for professional guidance on long-term caregiver options, housing alternatives, and financial and legal concerns.<sup>75</sup>

## *Education and Opportunity*

### Starbucks College Achievement Plan (SCAP)

In 2015, in response to Partner feedback, Starbucks began a partnership with ASU to offer eligible U.S. partners who work at least twenty hours a week 100 percent tuition coverage for a first time bachelor’s degree from ASU. One goal of this partnership was to expand access to higher education to those who would be the first in their families to attend college. This

advanced-education benefit comes with a University-based “success coach” to assist partners on their educational journey as well as an academic advisor and access to ASU financial aid advisors.<sup>76</sup> Partners are free to pursue any degree that interests them. Once enrolled, partners receive a forty-two percent scholarship, complete their Free Application for Federal Student Aid (FAFSA), and apply any aid they receive to their tuition bill. Any remaining tuition costs paid are fully reimbursed directly into a partner’s paycheck at the end of each semester, without any additional paperwork. Importantly, Starbucks does not require a participating partner to remain at Starbucks after graduation.

In addition, partners who are military veterans can extend an additional SCAP benefit to a qualifying family member of their choice. Below are the features of the SCAP program:

- 100 percent tuition coverage
- Over 2,400 graduates of the program to date
- As of January 2019, over 11,000 partners currently participating in the program
- Starbucks’ goal is to graduate 25,000 partners by 2025
- Sixty-four percent of stores have at least one partner participating. There are partners in the program from every state. Seventy percent of current participants are women, and thirty-six percent are people of color. Starbucks also tracks enrollment of first-generation college attendees to assess whether the program is succeeding at expanding opportunity for these individuals.

Starbucks has structured the SCAP reimbursement model such that it could offer the program on a national scale, and the Company continues to consider options, such as up-front tuition coverage, that would lower barriers to entry.

### Pathway to Admission

After launching SCAP, Starbucks found that one of the biggest barriers to admission was previous academic history—about twenty percent of partners did not qualify for admission. To further expand the scope of providing education to more Starbucks partners, Starbucks worked with ASU to develop “Pathway to Admission.” Partners can now receive an individualized set of courses created for them by ASU to work toward admission based on each partner’s unique situation and academic history, with 100 percent tuition coverage.

### DACA Fee Reimbursement and Immigration Advisory Program

Starbucks has publicly advocated for a permanent solution for Deferred Action for Childhood Arrivals (DACA) recipients, commonly known as “DREAMers,” and is committed to “stand with...Dreamers...including those we are proud to call Starbucks partners.”<sup>77</sup> To demonstrate this commitment, Starbucks reimburses partners’ DACA filing fees.<sup>78</sup> Starbucks also provides a free Immigration Advisor Program for partners and their families so they have support navigating immigration issues.<sup>79</sup>

### *Finances and Investments*

Starbucks’ financial benefits are unique in that they are structured for increased partner participation and to reward partner retention, including among hourly partners. Eligible partners may enroll in a 401(k) or Roth savings plan, receive granted “Bean Stock,” and buy discounted shares of Starbucks stock. Partners are eligible for Bean Stock (Restricted Stock Units) if they are employed by Starbucks as of May 1 of the fiscal year before the grant date and work in a Company-owned market (not a licensed or franchise store).<sup>80</sup> Restricted Stock Units convert to shares of Starbucks stock over a two-year vesting period, in which the recipient must be continuously employed by Starbucks.<sup>81</sup> This program thus rewards partner retention and gives a broad base of partners the opportunity to own Starbucks stock.

### *Partner Wages*

Starbucks pays above minimum wage for all positions across the United States, and in April 2018, the Company announced a pay increase for its workforce following its regular annual raise earlier in the year.<sup>82</sup> Starbucks reports that the April pay increase represented an investment of \$120 million, allocated based on regional cost of living and state laws, and it was accompanied by an additional stock grant for all employees and improvements in paid sick leave and parental leave.<sup>83</sup> Starbucks has also stated its public support for an increase in the federal minimum wage.

## Other Benefits

### **CUP (Caring Unites Partners)**

*Partners who have experienced significant hardship due to catastrophic circumstances such as the death of a family member or a natural disaster may be eligible for financial assistance. CUP is supported by voluntary payroll deductions. The fund, which awards grants on the basis of documented need, currently has a \$2 million balance.*

### **Employee Assistance Program (EAP)**

*All U.S. partners and their eligible dependents, regardless of eligibility for health care coverage, may receive short-term counseling for emotional issues or work/life counseling.*

### **Adoption Expense Reimbursement**

*Eligible partners who have chosen to adopt a child may receive up to \$10,000 of financial assistance to pay for qualified expenses related to the adoption of an eligible child, up to a lifetime maximum of \$30,000.*

### **Commuter Benefits**

*All partners are eligible for pretax payroll deductions for public transportation benefits. This benefit is particularly important for partners who cannot afford a vehicle or do not have access to their own vehicle.*

### **Partner Matching Gifts**

*Partners may request up to \$1,500 per fiscal year in matching support for individual charitable gifts of time or money to eligible nonprofits.*

### **Partner Connection Program**

*Partners who join together (three-partner minimum) to form clubs or teams may receive a 50 percent subsidy for expenses such as league and entry fees and uniforms and equipment.*

## *Increasing Awareness of Benefits*

Starbucks is working to increase benefits awareness among its partners and is testing digital benefits training that would be viewed on iPads during the onboarding process. In addition, the Company recently surveyed partners to identify gaps in awareness and prepared a one-page benefits summary that has been distributed to partners describing the range of available benefits.

## Recommendations for Fostering an Internal Culture of Equity and Inclusion

### *Partner Benefits*

- Monitor utilization of existing benefits where appropriate to ensure that program objectives are being met, as with first-in-family attendees within the SCAP program.
- Continue designing and deploying benefits that are responsive to partner feedback, as with the development of the transgender health benefit and Pathway to Admission.
- Continue evaluating ways to increase enrollment in benefits including healthcare benefits, 401(k), and stock programs.
- Continue to explore providing up-front tuition coverage for SCAP.

## Community Engagement

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Guided by its Mission and Values, Starbucks seeks to make a positive difference in the communities it serves. Over the years, the Company has designed a range of social impact initiatives, including revitalization efforts in underserved communities, ethically and sustainably sourcing coffee, reducing the environmental impact of operations, and more.<sup>84</sup> Below we assess several of Starbucks' existing and planned community initiatives most applicable to diversity, equity, and inclusion and provide recommendations for how the Company might enhance these efforts.

### *Community Stores*

A central pillar of Starbucks' community engagement is its Community Stores, a concept that emerged from Starbucks' partnership with Magic Johnson Enterprises to build stores in underserved neighborhoods, in an effort to create economic opportunity and a stronger sense of community in these neighborhoods.<sup>85</sup> From 2011–2015, Starbucks operated four stores in the U.S. in Harlem, New York; Houston, Texas; Los Angeles, California; and Seattle, Washington where the Company shared individual store profits with local organizations to help them address the economic, social, and educational challenges in their communities.

At the end of 2014, Starbucks reimaged its vision for Community Stores following the fatal shooting of Michael Brown in Ferguson, Missouri. Protests in the wake of the shooting focused media attention on issues of race in America. Howard Schultz convened an all-employee meeting at Starbucks' headquarters in Seattle to begin a discussion within the Company about race relations. "We at Starbucks should be willing to talk about these issues in America," Schultz said. "Not to point fingers or to place blame, and not because we have answers, but because staying silent is not who we are." In an effort to leverage Starbucks' scale to advance the national dialogue about race in America, the Company launched an effort called the Race Together Campaign.

The next generation of Community Stores emerged from this effort, designed to support revitalization efforts in low- to middle-income areas by creating meaningful local jobs; investing in local, minority-owned contractors; partnering with non-profits to provide job skills training programs to local youth; and serving as a hub for community gatherings. Since 2016, Starbucks has opened twelve Community Stores in eleven cities: Ferguson, Missouri; Chicago, Illinois; Phoenix, Arizona; Long Beach, California; Baltimore, Maryland; Seattle, Washington; Trenton, New Jersey; Miami Gardens, Florida; the Bedford–Stuyvesant neighborhood in Brooklyn, New York; the Jamaica neighborhood in Queens, New York; Oak Cliff neighborhood of southern Dallas; and Birmingham, Alabama. Community stores are designed to be hubs in the neighborhood, each with a community space that can be utilized as a third place for community members. Additionally, each store has a unique partnership with area nonprofits to provide in-store job-skills training for young people ages sixteen

to twenty-four who are not in school or working. Starbucks estimates that these stores have helped create more than 300 local jobs and connect young people to education and employment opportunities due to the local in-store training programs.

Community stores have produced a number of other benefits as well. Starbucks estimates that these stores have led to \$59.7 million in indirect economic development created from store construction, \$8.5 million average in indirect economic development per community, and over 1,100 indirect jobs.<sup>86</sup> Starbucks used these projects to identify and eliminate some of the barriers to entry that prevented minority-owned contractors from competing successfully to build stores for the Company. Starbucks is currently working to apply the lessons it learned from its development of these stores as it builds other Community Stores across the United States.

### *Military Family Stores*

Starbucks believes that veterans and military spouses are instrumental in strengthening the Company and community through leadership, service, and civic engagement.<sup>87</sup> For this reason, Starbucks has dedicated special stores to support military families.<sup>88</sup> These stores are staffed with many veterans and military spouses and partner with non-profit organizations to provide services for veterans and their families.<sup>89</sup> When Starbucks designates a Military Family Store, Starbucks and the Starbucks Foundation fund local nonprofits to support military families in areas of need. There are more than fifty Military Family Stores to date.<sup>90</sup> Partners at Military Family Stores wear aprons embroidered with the American flag, the partner's name, and their military affiliation.<sup>91</sup>



Graphic: Veteran and Military Spouse Apron

### *First U.S. Signing Store*

As part of its ongoing commitment to inclusion, accessibility, and diversity, Starbucks opened its first U.S. Signing Store in Washington, D.C. in October 2018.<sup>92</sup> All twenty-five partners are fluent in American Sign Language (ASL) which helps partners connect with the Deaf and hard of hearing community.<sup>93</sup> The Signing Store also provides employment and career opportunities for Deaf and hard of hearing people.<sup>94</sup> Deaf and hard of hearing partners wear ASL aprons embroidered by a Deaf supplier, and hearing partners wear “I Sign” pins.<sup>95</sup>



Graphic: American Sign Language Apron

The aprons with sign language serve as a source of pride for Deaf partners and underscore the importance of communication and connection for customers. Additionally the store features “exclusive artwork and a custom mug designed by Deaf artists, plus a variety of enhancements to support the Deaf and hard of hearing partner and customer experience.”<sup>96</sup>

The Starbucks Foundation has also partnered with the National Association of the Deaf to inspire and empower Deaf and hard of hearing youth to explore a variety of career and employment options.

### *Supplier Diversity and Inclusion Program*

Starbucks maintains a Supplier Diversity and Inclusion Program that seeks to provide qualified women-, minority-, people with disabilities-, veteran-, and small (8(a) and HubZone)-owned suppliers with an equal opportunity to compete for its business.<sup>97</sup> In particular, the program works to “identify and deliver high-quality products and services across all business channels” while fostering economic development in the communities Starbucks serves. This program applies to anything Starbucks purchases across Company-owned stores.

The Supplier Diversity and Inclusion Program identifies suppliers in a variety of ways. These include direct contact by suppliers; RFIs (request for information) that help create a pipeline of potential diverse suppliers for future business needs; supplier diversity conferences hosted by organizations such as the National Minority Supplier Development Council and the Women’s Business Enterprise National Council; and recommendations from national councils or peer corporations to identify potential diverse suppliers.

Starbucks believes that it can better effectuate the economic impact of its diverse supplier program by focusing on suppliers of all sizes as opposed to only large suppliers. Because it is often difficult for suppliers to meet Starbucks’ scale and complexity, the Supplier Diversity and Inclusion Program also includes a mentorship component to assist suppliers in developing to a point where they can succeed as a Starbucks supplier.

Since 2000, Starbucks has spent a total of \$6.8 billion on “Tier 1” diverse suppliers (suppliers from which Starbucks buys directly). The amount spent by Starbucks with diverse suppliers generally has risen year over year, but the percentage of its diverse-supplier spend as a portion of its total procurement budget has declined recently. In 2014, Starbucks spent 11.7 percent of the Company’s total procurement budget in the U.S. and Canada with diverse suppliers. In 2018, that figure dropped to 7.6 percent. The decrease was due, however, to a change in ownership at two of Starbucks’ largest diverse suppliers to non-diverse ownership. Despite this, Starbucks’ 7.6 percent remains in line with the majority of Tier 1 diverse-supplier spend of similarly sized companies.

Starbucks is working to develop other diverse suppliers in order to maximize its net economic impact in communities and create opportunities for diverse suppliers.

Starbucks is committed to this work and to continuing to find ways to improve its program. As next steps, Starbucks will focus on the following initiatives:

- Insert a requirement in supplier agreements for key Tier 1 U.S. and Canada suppliers to implement a supplier diversity program. Starbucks also plans to set expectations with suppliers regarding their internal targets for diverse-spend and evaluate continuous improvement in quarterly business reviews.
- Require inclusion of diverse-owned suppliers on all Requests for Proposals (RFPs) in the U.S. and Canada with the goal of increasing the number of diverse suppliers by 25% from current state.
- All major store and other Company construction projects in metropolitan markets will include and grow the use of diverse business trades in the building process. Starbucks will monitor progress in its reporting.
- Partner with ASU to provide small diverse-owned suppliers with a free, open-source toolkit on the fundamentals of how to run a successful business.
- Commission an economic impact study to understand the impacts of supplier diversity on local communities throughout the U.S. and use the results of the study to target specific communities for maximum economic impact.

### *Supplier Social Responsibility*

Starbucks' standard terms and conditions of purchase include an "Ethical Sourcing" provision that requires suppliers to adhere to the Company's Supplier Social Responsibility Standards.<sup>98</sup> The Standards, among other things, prohibit suppliers from discriminating against their workers on the basis of certain protected classifications (race, color, national origin, gender identity, sexual orientation, religion, disability, age, parental status, pregnancy, or other similar factors), require suppliers to treat all workers with respect and dignity, and specify that suppliers "must not use or permit corporal punishment or any other form of physical or psychological coercion including verbal abuse and sexual harassment."<sup>99</sup>

We encourage Starbucks to continue using its position as a respected corporate leader to encourage even greater commitment regarding equity and inclusion from companies with which it does business.

### *Creating Economic Impact Beyond the Supply Chain*

Starbucks has used its scale to drive social and economic impact in the communities it serves. For example, in 2011 the Company partnered with the Opportunity Finance Network to launch the Create Jobs for USA initiative, which was designed to fund loans to community businesses.<sup>100</sup> The initiative specifically sought to generate funds in economically distressed

communities and to support small businesses, microenterprises, nonprofit organizations (such as charter schools, day care, and senior centers), commercial real estate, and affordable housing.

### *Community Service*

Starbucks has had a long-standing commitment to community service. Between 2012 and 2016, partners have contributed between 400,000 and 600,000 hours of community service. Starbucks celebrates Martin Luther King Day, and Dr. King's legacy, by providing partners an opportunity to serve communities. In addition, the Company promotes a Global Month of Service, a dedicated month of partner-service engagements. In 2017, Starbucks set a goal to achieve 100 percent annual participation by stores globally in community service by the end of 2020. Also in 2017, 125,000 Starbucks partners participated in more than 16,500 partner-led projects with a focus on sustainability, hunger, youth, veterans, and refugees. In 2018, Starbucks launched a National Service pilot in partnership with Points of Light and the Starbucks Foundation, providing more than thirty partners the opportunity to serve part-time in non-profit organizations on a part-time basis.

### *Using Their Voice*

Starbucks does not have a Political Action Committee or a Washington, D.C. lobbying office, but they have engaged in advocacy around policy issues, specifically issues that impact their partners. Starbucks has filed amicus briefs in support of same-sex marriage and publicly advocated for legislation like the Dream Act that would find a permanent solution for DREAMers and in support of legislative efforts to institute a federal requirement to “ban the box” and prohibit asking individuals about their criminal records before an offer of employment. In October 2013, Starbucks invited customers to sign in-store petitions that called on the White House and Congress to “Come Together” to reopen the government, avoid defaulting on our debt payments, and reach a bipartisan agreement on the budget. Partners helped to sort, tally, and deliver almost two million signatures to the federal government. In support of their partners who take advantage of SCAP, they mounted a significant effort, during the 2017 tax reform debate, to preserve a legislative provision in the tax code that limits the amount of tax that an employee, including Starbucks partners, have to pay for an employer provided education benefit.

## Recommendations to Advance Community Engagement

- Continue the Community Stores initiative and expand it as appropriate.
- Continue to identify opportunities for partnerships with community organizations to deepen the ties between Starbucks' stores, its partners, and the communities they serve.
- Consider potential partnerships with other retailers in the industry, focusing on community-engagement initiatives beyond hiring.
- Expand the number of smaller diverse suppliers used by Starbucks (generally, those with which Starbucks spends less than \$100,000).
- To build upon Starbucks' previous efforts to provide access to capital through Community Development Financial Institutions, explore opportunities to develop an access-to-capital program for small diverse-owned businesses in local communities.
- Implement the Supplier Diversity next steps discussed above and continue to evaluate the sufficiency of existing reporting mechanisms and other forms of accountability.
- Starbucks currently has seven licensed and one Company-owned store on Historically Black Colleges and Universities (HBCU) campuses. We recommend that Starbucks continue to explore how the Company can better partner with HBCUs and other diverse institutions, including through the expansion of store presence.

## The Importance of Leadership

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Like any business initiative, Starbucks' efforts to address implicit bias and to promote diversity, equity, and inclusion can succeed only if they are consistent with the "tone at the top" of the organization—the priorities and examples set by Starbucks' leadership. The Company's response to the arrests in Philadelphia reveal both the priorities and the examples set by Starbucks' leadership. To their credit, Starbucks' CEO and leadership team acted quickly, and decisively, not just to understand why one of its partners summoned the police, but to address the root causes of the incident. Training 175,000 partners about how to recognize and interrupt their own biases was a critically important first step and, significantly, in our view, it has not been the last step taken by Starbucks to reinforce its commitment to creating a third place in which everyone—customers and partners alike—is welcomed and treated with dignity and respect.

Preserving such a space has become increasingly difficult. Starbucks' decision to treat anyone who visits one of their stores as a customer requires that its partners must, at times, navigate challenging interactions. Starbucks' leadership understands this and nonetheless remains committed to both priorities: ensuring that all who come to Starbucks are treated with respect, while also ensuring that the Company's stores remain welcoming and safe environments for its customers and partners. Truly addressing the root causes of this tension—the significant and too often racialized disparities among some communities in the United States—will require more than leadership from Starbucks. It will require leadership from others in the business community, from those in local, state, and the federal government, and indeed from each of us who visits one of Starbucks' stores. In the months since the arrests in Philadelphia, Starbucks has learned a great deal about the risks presented by implicit bias, particularly for retail companies. And it has developed a body of experience that could become the foundation for a set of best practices for bias-free retailing that other leaders in the business community could learn from and supplement with their own experience.

Starbucks' leaders know that they must continually demonstrate their commitment to these objectives and to Starbucks' Mission and Values over time. Based on our work with the Company during this project, and particularly on the commitment demonstrated by CEO Kevin Johnson and COO Roz Brewer, we are optimistic that Starbucks' leadership will maintain its focus on promoting equity, diversity, and inclusion at the Company. One important metric will be the Company's continued progress on the initiatives and recommendations described in this Report. Continuing the work described in this Report, and fulfilling the commitments the Company has made, are critical to Starbucks' efforts to be "a different kind of company." As with any assessment, it will be important to reevaluate where Starbucks stands in the future, to make sure that the Company's efforts to continually improve endure.

## **Recommendations for Continued Leadership**

- We recommend that Starbucks convene business and public-sector leadership to discuss best practices for eliminating bias and addressing related challenges. This work could feature leading academics in the field, as well as leaders in the civil rights community, and result in cutting-edge best practices and a call to action for other corporations.

## **APPENDIX A**

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## Starbucks Third Place Policies and Procedures

# WELCOME TO STARBUCKS

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*We strive to create a culture of warmth and belonging and respectfully request that everyone:*

### **Use Spaces as Intended**

Sleeping, smoking, consuming alcohol, drug use or improper use of restrooms is not permitted.

### **Be Considerate of Others**

Loud or unreasonable noise is not tolerated.

### **Communicate with Respect**

Obscene, harassing, abusive language or gestures are unacceptable.

### **Act Responsibly**

Violating any law, ordinance or regulation is prohibited.

*We want our stores to be a place where everyone can gather and connect. Those disrupting the third place environment may be asked to leave.*

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## USE OF THE THIRD PLACE POLICY

### Purpose

We are committed to creating a culture of warmth and belonging where everyone is welcome. This policy is intended to help maintain the third place environment in alignment with our mission “to inspire and nurture the human spirit – one person, one cup and one neighborhood at a time.”

### Policy Statement

We want our stores to be the third place, a warm and welcoming environment where customers can gather and connect. Any customer is welcome to use Starbucks spaces, including our restrooms, cafes and patios, regardless of whether they make a purchase.

When using a Starbucks space, we respectfully request that customers behave in a manner that maintains a warm and welcoming environment by:

- Using spaces as intended
- Being considerate of others
- Communicating with respect
- Acting responsibly

In situations where a customer is behaving in a disruptive manner that does not maintain the third place environment and interferes with the Starbucks Experience for others, Starbucks partners should follow the “Addressing Disruptive Behaviors” procedure.

If a situation presents an immediate danger or threat to partner or customer safety, Starbucks partners should call 911.

On occasion, the circumstances of a customer’s disruptive behavior may make it necessary to prohibit that customer from returning to our stores. In these situations, Starbucks partners should follow “Requesting A Customer Restriction” procedure.

### Application

This policy applies to all customers and Starbucks employees (“partners”). For the purposes of this policy, any person who enters our spaces, including patios, cafes and restrooms, regardless of whether they make a purchase, is considered a customer.

### Supporting Information

#### PROCEDURES

- *Addressing Disruptive Behaviors*
- *Requesting A Customer Restriction*



# Procedure: Addressing Disruptive Behaviors

Quick Reference Guide

COMPANY OPERATED  
UPDATED (5/18/18)

We are committed to creating a culture of warmth and belonging where everyone is welcome. **If there is immediate danger or threat to partner or customer safety, call 911.**

**Examples of when to call 911 include:**

- Medical emergency
- Gas leak or Fire
- Robbery
- Burglary
- Threat of violence
- Physical assault
- Destruction of store property
- Using or selling illegal drugs

If a customer is behaving in a **disruptive** manner that interferes with the Starbucks Experience for others, use the **ACT** model below to address these behaviors.

**ASSESS**

Before taking any action, assess the **behavior**, not the **person**. Disruptive behaviors that do not maintain the third place environment include, but are not limited to:

**NOT USING SPACES AS INTENDED**

- Smoking
- Use of alcohol or drugs
- Improper use of restrooms
- Sleeping

**NOT BEING CONSIDERATE OF OTHERS**

- Disrupting or interfering with normal operations, or the experience of other customers
- Unreasonable noise, loud talking, playing audible devices
- Viewing inappropriate content
- Personal hygiene that disrupts the experience of others.

**NOT COMMUNICATING WITH RESPECT**

- Verbal abuse or using obscene, profane, or demeaning language or gestures
- Unwanted sexual advances

**NOT ACTING RESPONSIBLY**

- Shoplifting
- Solicitation
- Panhandling
- Indecent exposure

**CONSIDER**

Consider how your decision will impact the **customer experience**.

- Is the customer or situation **safe** to approach?
- Would I take this action with **any** customer in the same circumstances?
- Do my actions align with Our Mission and Values?

**NOTE:** If you are unsure how to best handle the situation seek support from your store manager or district manager

**TAKE ACTION**

When approaching the customer, **use the Interaction Guidelines:**

- Ask another partner to observe and verify the behavior
- If the behavior is disruptive, approach the customer
- Ask another partner to observe the interaction (look, listen and be aware)
- Smile, introduce yourself and ask the person's name
- Listen actively, use a calm tone and **respectfully request that they stop the disruptive behavior**

If the situation becomes **unsafe**, call 911

**AFTER TAKING ACTION**

- Monitor the situation and assess whether additional action should be taken
- If you are unsure how to address an ongoing situation, communicate with your store manager or district manager

**Report all incidents immediately to the Field Support Center. The FSC will contact necessary support partners**

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Graphic: Starbucks – Procedure – Addressing Disruptive Behaviors

**APPENDIX B**

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**Starbucks Revised EEO Statement**

**Starbucks Is an Equal Employment Opportunity Employer**

Starbucks is an equal employment opportunity employer of all qualified individuals. Consistent with Starbucks' Mission and Values, we celebrate diversity and are committed to creating an inclusive environment for all partners.

Starbucks does not discriminate on the basis of race, color, religion or religious creed, national origin or place of origin, sex (including pregnancy, childbirth, breastfeeding or related medical conditions), physical or mental disability, age, protected military or veteran status, sexual orientation, gender identity, gender expression, or transgender status, genetic information, legally protected medical condition, marital or domestic partner status, status as a victim of domestic violence (including sexual assault or stalking), or any other basis protected by local, state, or federal law.

Our Equal Employment Opportunity Policy applies with regard to all aspects of one's employment, including hiring, transfer, promotion, compensation, eligibility for benefits, and separation. All partners are responsible for carrying out this policy.

## A Report to Starbucks

- 1 *See Starbucks CEO: Reprehensible Outcome In Philadelphia Incident*, STARBUCKS CORP.: STARBUCKS NEWSROOM (Apr. 14, 2018), <https://news.starbucks.com/views/starbucks-ceo-reprehensible-outcome-in-philadelphia-incident>.
- 2 *See id.*
- 3 *See Starbucks to Close All Stores Nationwide for Racial-Bias Education on May 29*, STARBUCKS CORP.: STARBUCKS NEWSROOM (Apr. 17, 2018), <https://news.starbucks.com/press-releases/starbucks-to-close-stores-nationwide-for-racial-bias-education-may-29>.
- 4 *See Company Information*, STARBUCKS CORP., <https://www.starbucks.com/about-us/company-information> (last visited Jan. 7, 2019).
- 5 Mr. Schultz served as Starbucks CEO from 1986–2000 and again from 2008–2017. He served as Executive Chairman until June 26, 2018, at which time he assumed the title of Chairman Emeritus.
- 6 HOWARD SCHULTZ, WITH JOANNE GORDON, ONWARD: HOW STARBUCKS FOUGHT FOR ITS LIFE WITHOUT LOSING ITS SOUL 13 (2011).
- 7 *Read Former Starbucks CEO Howard Schultz's Commencement Address at Arizona State University*, TIME (May 10, 2017), <http://time.com/4773797/howard-schultz-commencement-address-arizona-state/>.
- 8 *See Amy Held, Men Arrested at Philadelphia Starbucks Speak Out; Police Commissioner Apologizes*, NPR, Apr. 19, 2018, <https://www.npr.org/sections/thetwo-way/2018/04/19/603917872/they-can-t-be-here-for-us-men-arrested-at-philadelphia-starbucks-speak-out>.
- 9 *See id.*
- 10 *See Shannon Van Sant & Colin Dwyer, Protesters Rally Outside Philadelphia Starbucks After Arrests of 2 Black Men*, NPR, Apr. 15, 2018, <https://www.npr.org/sections/thetwo-way/2018/04/15/602703900/protesters-rally-outside-philadelphia-starbucks-after-arrests-of-2-black-men>.
- 11 For many years, Starbucks has referred to the Company's employees as "partners" because the Company views all of its employees as partners in Starbucks' shared success. Starbucks considers this to be a subtle yet powerful way to empower even the most junior employees with a sense of ownership of the Company.
- 12 Covington is a global law firm with significant experience conducting both public and confidential investigations and compliance assessments on behalf of its clients to evaluate and strengthen their policies, procedures, and initiatives intended to prevent or remedy instances of discrimination, harassment, or retaliation. Covington also routinely counsels clients seeking to promote healthy and inclusive workplace cultures, often by fostering greater diversity in a workforce, and by mitigating proactively the risks presented by explicit and implicit biases.
- 13 *See Starbucks to Close All Stores Nationwide for Racial-Bias Education on May 29*, STARBUCKS CORP.: STARBUCKS NEWSROOM (Apr. 17, 2018), <https://news.starbucks.com/press-releases/starbucks-to-close-stores-nationwide-for-racial-bias-education-may-29>; see also Heather C. McGhee & Sherrilyn Ifill, *Toward a Vision for Racial Equity & Inclusion at Starbucks: Review and Recommendations 1* (2018), [https://www.naacpldf.org/wp-content/uploads/July-2\\_Toward-a-Vision-for-Racial-Equity-Inclusion-at-Starbucks\\_Review-and-Recommendations\\_Single.pdf](https://www.naacpldf.org/wp-content/uploads/July-2_Toward-a-Vision-for-Racial-Equity-Inclusion-at-Starbucks_Review-and-Recommendations_Single.pdf) [hereinafter McGhee/Ifill Report].
- 14 *See* MCGHEE/IFILL REPORT at 4.
- 15 *See id.* at 5.
- 16 *See id.* at 2.
- 17 *See id.* at 23.
- 18 This report is not a point-by-point response to the McGhee/Ifill Report and it was not intended to be. Our work was, however, inspired by the McGhee/Ifill Report, which provides essential context for our analysis.
- 19 *See Use of the Third Place Policy*, STARBUCKS CORP.: STARBUCKS NEWSROOM (May 19, 2018), <https://news.starbucks.com/views/use-of-the-third-place-policy>.
- 20 *See id.*
- 21 *See id.*
- 22 *See Linda Dahlstrom, Beyond May 29: Lessons from Starbucks Anti-Bias Training—And What's Next*, STARBUCKS CORP.: STARBUCKS NEWSROOM (July 2, 2018), <https://news.starbucks.com/news/beyond-may-29-lessons-from-starbucks-anti-bias-training-and-whats-next>; as noted previously, Canada closed stores for training one week after May 29.
- 23 *See The Third Place: Our Commitment, Renewed*, STARBUCKS CORP.: STARBUCKS CHANNEL (May 29, 2018), <https://starbuckschannel.com/thethirdplace/>.
- 24 *See Zlati Meyer, Starbucks' Racial-Bias Training Will Be Costly, But Could Pay Off in the Long Run*, USA TODAY, May 26, 2018, <https://www.usatoday.com/story/money/2018/05/26/starbucks-racial-bias-training-costly/642844002/>.

- 25 See *The Third Place: Our Commitment, Renewed*, STARBUCKS CORP.: STARBUCKS CHANNEL (May 29, 2018), <https://starbuckschannel.com/thethirdplace/>.
- 26 See *id.*
- 27 See *id.*
- 28 See Nathaniel Meyersohn, *Starbucks' Howard Schultz: 'Ashamed' by Arrests at Philadelphia Store*, CNN MONEY, Apr. 20, 2018, <http://money.cnn.com/2018/04/18/news/companies/howard-schultz-starbucks-philadelphia/index.html>.
- 29 See Linda Dahlstrom, *Beyond May 29: Lessons from Starbucks Anti-Bias Training—And What's Next*, STARBUCKS CORP.: STARBUCKS NEWSROOM (July 2, 2018), <https://news.starbucks.com/news/beyond-may-29-lessons-from-starbucks-anti-bias-training-and-whats-next>.
- 30 See *id.*
- 31 These policies, manuals, and guidelines are updated frequently and page numbers fluctuate accordingly.
- 32 There are also Partner Guides for partners who work outside the retail stores.
- 33 See *Starbucks to Host 100 Coffee with a Cop Events in the U.S. Stores*, STARBUCKS CORP.: STARBUCKS NEWSROOM (Feb. 17, 2017), <https://news.starbucks.com/news/starbucks-coffee-with-a-cop-events-2017>.
- 34 See *id.*
- 35 See MCGHEE/IFILL REPORT at page 7.
- 36 A 2010 study by professors at MIT and Carnegie Mellon found that the IQ had little correlation to a group's collective intelligence. Instead, they found that "if a group includes women, its collective intelligence rises." Anita Woolley & Thomas W. Malone, *Defend Your Research: What Makes a Team Smarter? More Women*, Harv. Bus. Rev. (June 2011), <https://hbr.org/2011/06/defend-your-research-what-makes-a-team-smarter-more-women>. Researchers have come to similar findings for groups that include people of color. For example, a 2006 Tufts University study found that racially diverse mock jury panels spent more time deliberating, made fewer mistakes with evidence, cited more missing evidence, discussed more facts, and corrected more inaccurate statements than all-white panels. See Samuel R. Sommers, *On Racial Diversity and Group Decision Making: Identifying Multiple Effects of Racial Composition on Jury Deliberations*, 90 J. OF PERSONALITY & SOC. PSYCHOL., no. 4, 2006, at 597–612.
- 37 A 2012 study found that diverse and inclusive workforces report a 19% higher rate of intent to stay, a 12% higher rate of discretionary effort, a 57% higher rate of team collaboration, and a 42% higher rate of team commitment. See CREATING COMPETITIVE ADVANTAGE THROUGH WORKFORCE DIVERSITY, CORPORATE EXECUTIVE BOARD 3–4 (2012), [https://s3.amazonaws.com/teksports.com/documents/2014/11/24/corporate\\_leadership\\_council\\_report.pdf](https://s3.amazonaws.com/teksports.com/documents/2014/11/24/corporate_leadership_council_report.pdf)
- 38 See Sylvia Ann Hewlett et al., *How Diversity Can Drive Innovation*, HARV. BUS. REV. (Dec. 2013), <https://hbr.org/2013/12/how-diversity-can-drive-innovation>.
- 39 A 2013 study by the Center for Talent Innovation, a think tank sponsored by a number of multinational organizations, found that companies with inherent (e.g., gender, race, age, ability, sexual orientation) and acquired (e.g., cultural fluency, military experience) diversity among leaders were 45% more likely to improve market share and 75% more likely to capture a new market than non-diverse companies. See INNOVATION, DIVERSITY AND MARKET GROWTH, CTR. FOR TALENT INNOVATION (2013), <https://www.talentinnovation.org/private/assets/IDMG-ExecSummFINAL-CTI.pdf>. A number of studies have also found that corporations with diversity among senior leadership and boards of directors are more profitable and have higher stock prices. See, e.g., GENDER DIVERSITY AND CORPORATE PERFORMANCE, CREDIT SUISSE (2012), [https://www.calstrs.com/sites/main/files/file-attachments/csri\\_gender\\_diversity\\_and\\_corporate\\_performance.pdf](https://www.calstrs.com/sites/main/files/file-attachments/csri_gender_diversity_and_corporate_performance.pdf); Vivian Hunt, et al., WHY DIVERSITY MATTERS, MCKINSEY & CO. (2015), <http://www.boardroomdiversity.org/wp-content/uploads/2015/01/Why-diversity-matters.pdf>; MINING THE METRICS OF BOARD DIVERSITY, THOMSON REUTERS (2013), [http://share.thomsonreuters.com/pr\\_us/gender\\_diversity\\_whitepaper.pdf](http://share.thomsonreuters.com/pr_us/gender_diversity_whitepaper.pdf); THE BOTTOM LINE: CORPORATE PERFORMANCE AND WOMEN'S REPRESENTATION ON BOARDS, CATALYST (2007), [https://www.catalyst.org/system/files/The\\_Bottom\\_Line\\_Corporate\\_Performance\\_and\\_Womens\\_Representation\\_on\\_Boards.pdf](https://www.catalyst.org/system/files/The_Bottom_Line_Corporate_Performance_and_Womens_Representation_on_Boards.pdf); THE CS GENDER 3000: WOMEN IN SENIOR MANAGEMENT, CREDIT SUISSE (2014), <https://www.calpers.ca.gov/docs/diversity-forum-credit-suisse-report-2015.pdf>; Thomas Barta, et al., *Is there a Payoff from Top-Team Diversity?*, MCKINSEY & CO. (Apr. 2012), <https://www.mckinsey.com/business-functions/organization/our-insights/is-there-a-payoff-from-top-team-diversity>.
- 40 See CORPORATE EQUALITY INDEX 2018, HUMAN RIGHTS CAMPAIGN FOUND. 52 (2017), <http://assets2.hrc.org/files/assets/resources/CEI-2018-FullReport.pdf>; CORPORATE EQUALITY INDEX 2017, HUMAN RIGHTS CAMPAIGN FOUND. 48 (2016), [https://assets2.hrc.org/files/assets/resources/CEI-2017-Final.pdf?\\_ga=2.153895547.278196170.1544399007-122598434.1541624898](https://assets2.hrc.org/files/assets/resources/CEI-2017-Final.pdf?_ga=2.153895547.278196170.1544399007-122598434.1541624898); CORPORATE EQUALITY INDEX 2016, HUMAN RIGHTS CAMPAIGN FOUND. 44 (2015), [https://assets2.hrc.org/files/assets/resources/CEI-2016-FullReport.pdf?\\_ga=2.153895547.278196170.1544399007-122598434.1541624898](https://assets2.hrc.org/files/assets/resources/CEI-2016-FullReport.pdf?_ga=2.153895547.278196170.1544399007-122598434.1541624898); CORPORATE EQUALITY INDEX 2015, HUMAN RIGHTS CAMPAIGN FOUND. 52 (2014), [https://assets2.hrc.org/files/documents/CEI-2015-rev.pdf?\\_ga=2.153895547.278196170.1544399007-122598434.1541624898](https://assets2.hrc.org/files/documents/CEI-2015-rev.pdf?_ga=2.153895547.278196170.1544399007-122598434.1541624898).
- 41 See 2017 DISABILITY EQUALITY INDEX (DEI) BEST PLACES TO WORK, AM. ASS'N OF PEOPLE WITH DISABILITIES & U.S. BUS. LEADERSHIP NETWORK (2017), [https://www.disabilityequalityindex.org/sites/default/files/documents/2017\\_DEI\\_Best\\_Places\\_to\\_Work](https://www.disabilityequalityindex.org/sites/default/files/documents/2017_DEI_Best_Places_to_Work)

## A Report to Starbucks

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- 42 *Diversity at Starbucks*, STARBUCKS CORP., <https://www.starbucks.com/responsibility/community/diversity-and-inclusion/aspirations> (last visited Jan. 4, 2019).
- 43 *Diversity at Starbucks*, STARBUCKS CORP., <https://www.starbucks.com/responsibility/community/diversity-and-inclusion/aspirations> (last visited Jan. 4, 2019).
- 44 *See* BOARD OF DIRECTORS, STARBUCKS CORP., <https://globalassets.starbucks.com/assets/4F21600CB243461AAA654807D185E7E6.pdf>; Kaya Yurieff, The S&P 500 Companies with the Most Diverse Boards, TheStreet (Feb. 7, 2017), <https://www.thestreet.com/story/13970008/1/the-s-amp-p-500-companies-with-the-most-diverse-boards.html>.
- 45 *See* WOMEN IN THE WORKPLACE, MCKINSEY & CO. 6 (2018).
- 46 Starbucks defines senior leadership in this context as senior vice presidents and above. *See Diversity at Starbucks*, STARBUCKS CORP., <https://www.starbucks.com/responsibility/community/diversity-and-inclusion/aspirations> (last visited Jan. 4, 2019).
- 47 *See* National Partnership for Women & Families, *Corporate Leader Rosalind Brewer, 2018 National Partnership Gala Dinner*, YOUTUBE (June 8, 2018) <https://www.youtube.com/watch?v=jtVB9PTRhXw>; *Diversity at Starbucks*, STARBUCKS CORP., <https://www.starbucks.com/responsibility/community/diversity-and-inclusion/aspirations> (last visited Jan. 4, 2019).
- 48 *Starbucks Military Commitment*, STARBUCKS CORP., <https://www.starbucks.com/responsibility/community/veterans> (last visited Jan. 4, 2019).
- 49 *See Starbucks Makes Global Commitment to Hire 10,000 Refugees by 2022*, STARBUCKS CORP., <https://www.starbucks.com/responsibility/community/refugee-hiring> (last visited Jan. 4, 2019).
- 50 Starbucks had previously committed in 2015 to hiring 10,000 Opportunity Youth by 2018. *See Opportunity for Youth*, STARBUCKS CORP., <https://www.starbucks.com/responsibility/community/opportunity-youth> (last visited Jan. 4, 2019).
- 51 *See id.*
- 52 *See generally* LEADERSUP, <https://leadersup.org/> (last visited Jan. 19, 2019).
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- 58 *See History of Partner Benefits*, STARBUCKS, STARBUCKS CORP.: STARBUCKS NEWSROOM, <https://news.starbucks.com/facts/starbucks-history-of-partner-benefits> (last visited Jan. 19, 2019).
- 59 *See History of Partner Benefits at Starbucks*, STARBUCKS CORP.: STARBUCKS NEWSROOM, <https://news.starbucks.com/facts/starbucks-history-of-partner-benefits> (last visited Jan. 19, 2019).
- 60 *See National Partnership for Women & Families, Corporate Leader Rosalind Brewer, 2018 National Partnership Gala Dinner*, YOUTUBE (June 8, 2018) <https://www.youtube.com/watch?v=jtVB9PTRhXw>; *Diversity at Starbucks*, STARBUCKS CORP., <https://www.starbucks.com/responsibility/community/diversity-and-inclusion/aspirations> (last visited Jan. 4, 2019). In 2016, the Company had a 99.7 percent pay-equity rate.
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## A Report to Starbucks

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- 64 See Total Rewards, Starbucks Coffee Co. 5 (2018), <https://globalassets.starbucks.com/assets/c753ef7603dd4ffea2ac58a3ee80af23.pdf>.
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- 66 See *Our Commitment to Comprehensive Health Care*, STARBUCKS CORP.: STARBUCKS NEWSROOM (Aug. 26, 2013), <https://news.starbucks.com/views/health-care>.
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- 83 See *id.*
- 84 See generally *Corporate Social Responsibility, What Is the Role and Responsibility of a For-Profit, Public Company?*, STARBUCKS CORP., <https://www.starbucks.com/responsibility> (last visited Jan. 4, 2019).
- 85 See *Starbucks Acquires Remaining Interest in Magic Johnson Enterprises’ Urban Coffee Opportunities (UCO)*, STARBUCKS CORP.: STARBUCKS NEWSROOM (Oct. 21, 2010), <https://news.starbucks.com/news/starbucks-acquires-remaining-interest-in-magic-johnson-enterprises-urban-co>. The formal partnership with Magic Johnson Enterprises ended in 2010. See *id.*
- 86 Deonna Anderson, *Ferguson Baker Goes From Two Hand Mixers to Supplying Starbucks*, NEXT CITY (Oct. 10, 2017), <https://nextcity.org/daily/entry/ferguson-baker-supplying-starbucks-opportunity-stores>.
- 87 See *Starbucks Military Commitment*, STARBUCKS CORP., <https://www.starbucks.com/responsibility/community/veterans> (last visited Jan. 4, 2019).
- 88 See *id.*; see also *Starbucks Stores Honor and Connect Military Communities*, STARBUCKS CORP.: STARBUCKS NEWSROOM (Oct. 8, 2015), <https://news.starbucks.com/news/starbucks-dedicates-new-military-family-stores>.
- 89 See *Starbucks Stores Honor and Connect Military Communities*, STARBUCKS CORP.: STARBUCKS NEWSROOM (Oct. 8, 2015), <https://news.starbucks.com/news/starbucks-dedicates-new-military-family-stores>.
- 90 See *Starbucks Military Commitment*, STARBUCKS CORP., <https://www.starbucks.com/responsibility/community/veterans> (last visited Jan. 4, 2019).

## A Report to Starbucks

- 91 See *Starbucks Stores Honor and Connect Military Communities*, STARBUCKS CORP.: STARBUCKS NEWSROOM (Oct. 8, 2015), <https://news.starbucks.com/news/starbucks-dedicates-new-military-family-stores>.
- 92 See *Starbucks to Open First U.S. Signing Store*, STARBUCKS CORP.: STARBUCKS NEWSROOM (July 19, 2018), <https://news.starbucks.com/press-releases/starbucks-opens-first-us-signing-store>.
- 93 See *id.*
- 94 See *id.*
- 95 *Id.*
- 96 *Id.*
- 97 See *Starbucks Corp., Supplier Diversity Standard – U.S.: Supplier Diversity Program*, STARBUCKS CORP., <https://www.starbucks.com/responsibility/sourcing/suppliers> (last visited Jan. 4, 2019).
- 98 See STARBUCKS CORP., *Starbucks Standard Terms & Conditions of Purchase* (2014), <https://www.starbucks.com/business/suppliers/standardtermsandconditions>.
- 99 STARBUCKS COFFEE CO., *Starbucks Supplier Soc. Responsibility Standards: Manufactured Goods & Servs. 2* (2006), <https://globalassets.starbucks.com/assets/ee9d28283f104e0c87d52dce686cba2b.pdf>. Starbucks has faced questions about a previous subcontractor who employed incarcerated individuals to package coffee. Starbucks has stated they have a zero-tolerance policy on prison and forced labor. This not only applies to their direct suppliers, but to all contractors and subcontractors through Supplier Social Responsibility Standards, which have been in place since 2006.
- 100 See *Starbucks Announces “Create Jobs for USA” Initiative in Collaboration with Opportunity Finance Network*, STARBUCKS CORP.: STARBUCKS NEWSROOM (Oct. 2, 2011), <https://news.starbucks.com/press-releases/starbucks-announces-create-jobs-for-usa-initiative-in-collaboration-with-op>.

**A Report to**

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# **Starbucks**

**On the Progress of its Efforts  
to Promote Civil Rights, Equity,  
Diversity, and Inclusion**

February 24, 2020

**COVINGTON**

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## Contents

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<b>I.</b>	<b>Executive Summary</b>	<b>4</b>
<b>II.</b>	<b>Message from Eric Holder</b>	<b>6</b>
<b>III.</b>	<b>Methodology</b>	<b>8</b>
<b>IV.</b>	<b>Starbucks’ Efforts to Promote Civil Rights, Equity, Diversity and Inclusion</b>	<b>9</b>
	<b>Sustaining the Third Place</b>	<b>9</b>
	Trainings and Other Educational Resources	9
	Leadership Experience 2019	14
	Engagement with Law Enforcement to Support the Third Place	16
	<b>Updates on Key Recommendations from Listening Sessions and to Sustain the Third Place</b>	<b>18</b>
	<b>Fostering an Internal Culture of Equity and Inclusion</b>	<b>22</b>
	Partner Base	22
	Inclusion and Diversity Leader	25
	Hiring Initiatives	25
	Enterprise Workforce Goals	26
	Broadening Approach to Diverse Representation and Inclusion	27
	Enhanced Tracking Systems	27
	Other Key Initiatives	28
	Pay Equity	28
	Expanded Benefits	29
	Commitment to Supporting the Mental Health of Partners	29
	Family Expansion Reimbursement Benefit	31
	Accessibility Resources	31
	<b>Updates on Recommendations for Fostering an Internal Culture of Equity and Inclusion</b>	<b>32</b>
	<b>Anti-Discrimination Policy and Training</b>	<b>35</b>
	<b>Updates on the Recommendations for Fostering an Internal Culture of Equity and Inclusion</b>	<b>36</b>

<b>Strengthening Communities</b>	<b>41</b>
Expanding Community Stores	41
Metro Support Strategy	42
Direct Community Investments	42
Expanding Military Family Stores	43
Opening Third and Fourth Signing Stores Globally	43
<b>Updates on Recommendations to Advance Community Engagement</b>	<b>45</b>
<b>Importance of Leadership</b>	<b>48</b>
<b>Updates on Starbucks' Progress Toward Continued Leadership</b>	<b>49</b>

## I. Executive Summary

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In January 2019, Starbucks published a Report prepared by former Attorney General Eric Holder that evaluated Starbucks' commitment to civil rights, equity, diversity, and inclusion. This assessment was one of many commitments that Starbucks made following the arrests of Donte Robinson and Rashon Nelson in April 2018, as the Company worked to mitigate the effects of implicit bias in its stores, and to ensure that all of its customers and partners were treated equally.

The Report found that Starbucks' policies and procedures promoted diversity, inclusion, and equal treatment, and offered several recommendations for continued progress in these areas. It also documented Starbucks' current initiatives and historical efforts to be "a different kind of company"—one that strives to promote civil rights—for its workforce, its customers, and the communities the Company serves. The 2019 Report noted, however, that it would be important to reassess the Company's efforts in the future, to ensure that Starbucks' commitment endured.

In the year since Starbucks published the 2019 Report, the Company has sustained its commitment to leadership on issues of civil rights and diversity and fulfilled many of the commitments and recommendations described in the 2019 Report, in some cases going beyond what we recommended. While the Company's commitment to further this work is ongoing (and expected to continue), this Progress Report describes Starbucks' efforts during the last year to operationalize the Company's commitment to civil rights and equal treatment in the four categories discussed in the 2019 Report: (1) Sustaining the Third Place; (2) Fostering an Internal Culture of Equity and Inclusion; (3) Community Engagement; and (4) The Importance of Leadership. Starbucks' progress in each of these areas is described below.

**Sustaining the Third Place:** Starbucks' concept of a third place in which everyone feels welcomed cannot exist if some customers are treated unequally because of bias. Starbucks has developed new material in its "Third Place Development Series," featuring diverse speakers and rich content on topics ranging from mindful decision making to mental health. To promote a deeper understanding of implicit bias among its partners, the Company commissioned Arizona State University to develop, in collaboration with more than 50 subject-matter experts, a publicly available 15-part curriculum called "To Be Welcoming" and updated trainings to include role-playing exercises on 12 of the most common disruptive behaviors faced by partners in cafés. Fulfilling a commitment CEO Kevin Johnson made after Philadelphia, Starbucks gathered together more than 12,000 leaders, including all U.S. and Canada Store Managers in Chicago in September 2019 to redefine "what it means to be a leader" at Starbucks. Starbucks has also continued to build relationships and trust with law enforcement, which is critical to maintaining the safety of the Third Place, through interactive "Coffee With a Cop" meetings, in addition to other events and law enforcement alliances.

**Fostering an Internal Culture of Equity and Inclusion:** As recommended in the 2019 Report, Starbucks hired a Chief Inclusion and Diversity Officer, Nzinga Shaw, who will be a leader accountable for integrating Starbucks' inclusive and equitable practices in hiring, development, leadership, and compensation across the organization. The Company has also refined its representation goals and broadened its approach to inclusion and diversity in placements, promotions, retention, and compensation, brought a global focus to gender pay equity, and made meaningful expansions to the Company's benefit programs, concentrating on mental health in response to partner input. Starbucks also implemented the revisions recommended in the 2019 Report to its EEO statement and its anti-discrimination and anti-harassment policies to create more transparency and accountability by Starbucks for customers and partners.

**Community Engagement:** Starbucks has a long history of community engagement, a commitment reflected in the Company's Mission and Values. In the last five years, Starbucks has opened 14 Community Stores designed to empower local communities, and it will soon open a 15th. In a significant expansion of this commitment, Starbucks will open a total of 100 Community Stores in the next five years, each of which will include a designated space for community events and meetings. Starbucks has also launched two creative partnerships with United Way Worldwide—one involving local United Way affiliates partnering with Community Stores to create community-based programming, and the other featuring United Way "outreach workers" who will assist individuals struggling with homelessness, mental illness, and addiction in and around certain Starbucks stores. Starbucks has also expanded its FoodShare program in partnership with Feeding America to provide meals to those in need. Finally, the Starbucks Foundation invested more than \$10 million in communities in 2019, and consistent with one of the 2019 recommendations, Starbucks announced that it will invest \$10 million in four community leaders "to drive economic opportunity in Chicago."

**The Importance of Leadership:** Starbucks' leadership continues to set the right tone from the top, investing monetary and hands-on partner resources necessary to follow through on the Company's commitments, while also sharing openly to the public—at no cost—the lessons that Starbucks has learned from its efforts to promote civil rights, diversity, equity, and inclusion. These include trainings and case studies that focus on anti-bias efforts, including Starbucks' "To Be Welcoming" series. Starbucks has continued to lead in other areas as well. On April 2, 2019—Equal Pay Day—Starbucks and 20 other U.S. employers across industries signed a letter pledging to uphold a shared set of equal pay principles.

## II. Message from Eric Holder

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A year ago, I reported the results of an assessment I conducted of Starbucks' efforts to promote civil rights, equity, diversity, and inclusion for its partners and its customers. Following a months-long evaluation that I conducted with a team of lawyers from Covington & Burling, LLP, I concluded that the Company's commitment to minimizing the effects of implicit bias in its stores and among its workforce was genuine, and that Starbucks had taken a number of steps to promote equity, diversity, and inclusion in its stores and in the communities it serves. It was clear to me that Starbucks' efforts to promote civil rights were much more than window dressing. They reflected a sincere commitment from the Company's senior leadership, including Starbucks' CEO, Kevin Johnson. Starbucks asked that I include in my Report recommended steps that it might take to improve in the areas my team evaluated, and we included several. When I met with Kevin near the end of the project, he assured me that Starbucks' work to be more inclusive and equitable would continue, and that the Company would consider our recommendations seriously.

I believed him, but I did not expect to be involved in the Company's ongoing efforts. But last fall, the Company asked me to take on a new project, to evaluate the progress Starbucks had made over the last year and I agreed. This Report is the result of that effort. Starbucks has made significant progress during the course of the last year, both within its own business and workforce, and in the communities it serves. This Report is not designed to provide an in-depth assessment of each of the Company's actions taken in response to our 2019 recommendations, but rather to highlight the key areas of progress and the challenges that remain. I did not expect Starbucks to implement every recommendation we made, or for the Company to implement them in exactly the way we proposed them. But the bottom line, as described in this Progress Report, is that Starbucks has continued—and in many areas accelerated—its efforts to promote civil rights, equity, diversity, and inclusion.

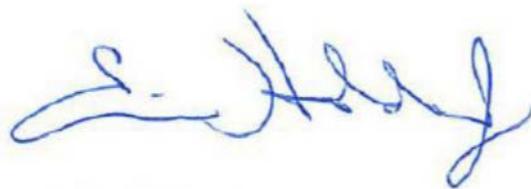
It is important to acknowledge something about Starbucks that has been clear to me from the work I've done: Starbucks is committed to critical self-assessment. Starbucks has demonstrated this repeatedly, following the arrests of Donte Robinson and Rashon Nelson in 2018 and, more recently, after incidents in which law enforcement officers felt disrespected or mistreated in their stores. No company is perfect. What sets Starbucks apart is the Company's willingness to learn from these missteps and to address their underlying causes. The Company did not treat these incidents as a public relations issue to be managed and then forgotten. From the top down, Starbucks took a hard look at its business and asked a question that cut to the core of the Company's identity: how could this have happened when one of Starbucks' core values is "to create a culture of warmth and belonging where everyone is welcome"? I was struck a year ago by the seriousness of the Company's approach to answering that question and I still am.

As our Report noted last year, Starbucks is trying to do something uniquely difficult for a retailer: create a space—at a global scale—where everyone feels welcomed and respected. Starbucks' commitment to this idea—the concept of a third place—is fundamental to the Company's Mission

and Values. But making this idea a reality in every Starbucks café presents real challenges in practice, particularly in stores that see a high volume of customers who are experiencing homelessness, active addiction, or mental illness.

Starbucks has not shied away from this challenge. From its CEO to the women and men who work in its cafés, Starbucks is committed to the idea that everyone should feel welcomed, respected, and safe in their stores. I saw this commitment firsthand when I met with dozens of the Company's partners as part of my team's work to prepare last year's Report. And I saw it again when I joined more than 12,000 Store Managers and other field leaders at the Leadership Experience Starbucks organized in September. Starbucks recognizes that bias, whether unconscious or explicit, is incompatible with the Company's conception of a welcoming third place. And Starbucks' leadership recognizes that it must continue empowering the men and women who work in its cafés to create welcoming public spaces, while also ensuring that their customers and stores are safe. This will require Starbucks to continue—and strengthen—its engagement with law enforcement and partners in the community, who can help the Company achieve this balance and provide resources to individuals in need of help, who may use Starbucks' public space as a refuge of last resort. This Progress Report describes some of the initiatives that Starbucks has undertaken to address this challenge.

President Kennedy once wrote that “[l]eadership and learning are indispensable to each other.”<sup>1</sup> Starbucks' willingness to invite external scrutiny, from my team and from others, is part of the Company's efforts to learn—and to lead. Starbucks has always been more than a coffee company. For decades it has worked to promote equity and to support the communities where its stores operate. Our 2019 Report described this history and many of the Company's ongoing efforts to promote civil rights, equity, diversity, and inclusion. I was pleased to find this year that the Company's commitment endures and that its work to create spaces where all are welcome and treated with dignity and respect continues.

A handwritten signature in blue ink, appearing to read "E. Holder, Jr.", is centered on the page. The signature is fluid and cursive, with a large, sweeping initial "E" and a long, trailing flourish.

Eric H. Holder, Jr.

### **III. Methodology**

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Covington’s January 2019 Report (the “2019 Report”) reviewed Starbucks’ policies, practices, and initiatives related to civil rights, equity, diversity, and inclusion and recommended steps that Starbucks could take to further promote equal treatment for its customers and partners (the term Starbucks uses to describe its employees).<sup>2</sup> We determined that Starbucks’ policies and procedures “were consistent with Starbucks’ Mission and Values and that they were well designed and implemented to promote equity, diversity, and inclusion.”<sup>3</sup>

Our goal in preparing this Progress Report was to provide an objective evaluation of Starbucks’ ongoing efforts to advance civil rights, equity, diversity, and inclusion internally among its partners, as well as with its customers and in the communities Starbucks serves. We used the findings and recommendations contained in our 2019 Report as the benchmark for our evaluation. We reviewed trainings, policies, and initiatives that had changed since publication of our initial Report to assess Starbucks’ progress—or, potentially, its regression—during the last year. Our review focused on several topics, including: customer relations, store operations, partner resources, partner benefits, workforce diversity, and community and social impact initiatives. We also met with the teams at Starbucks responsible for these trainings, policies, and initiatives, to answer our questions regarding their efforts and to develop a thorough understanding of the Company’s ongoing work and new initiatives. As we did in preparation for the 2019 Report, we also met with representatives of Starbucks’ Partner Networks to have the benefit of their perspective.

This Report organizes our evaluation around the four key areas we identified in our 2019 Report:

1. Sustaining the Third Place
2. Fostering an Internal Culture of Equity and Inclusion
3. Community Engagement
4. The Importance of Leadership

## **IV. Starbucks' Efforts to Promote Civil Rights, Equity, Diversity and Inclusion**

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### **Sustaining the Third Place**

For decades, Starbucks' ambition has been to create “public spaces where everyone feels like they belong.”<sup>4</sup> This ambition is embodied in Starbucks' conception of its cafés as a “Third Place” in which everyone is treated with dignity and respect—whether or not they purchase anything—and reflected in the Company's Mission and Values, as well as its policies and operations. As we noted in our 2019 Report, the concept of the “Third Place,” and Starbucks' deep institutional commitment to it, is unusual among global retailers. It is challenging to create a welcoming Third Place in stores whose customers include people who are experiencing homelessness, active addiction, or untreated mental illness. Particularly in these stores, there is a need to ensure that implicit biases do not result in some Starbucks customers being treated differently because of assumptions based on their personal characteristics, like race or physical appearance. Partners in these stores must create “public spaces where everyone feels like they belong,” while also maintaining a safe environment for everyone within their cafés.

In the 2019 Report, we focused on the significant commitments the Company made to train its store partners about how to identify and address implicit biases and how to respond to potentially disruptive behaviors in Starbucks' stores. We highlight below how the Company has continued its commitment to Sustaining the Third Place over the last year.

#### *Trainings and Other Educational Resources*

Over the past year and a half, Starbucks has continued to implement its “Third Place Development Series,” designed to equip Store Managers and partners who work in Starbucks cafés with new tools to stimulate reflection and facilitate discussions about important and challenging topics related to mental health, equity, inclusion, and bias. This training consists of two components: (1) “Pour Over Sessions,” and (2) “Third Place Discussions.”

Starbucks launched the first Pour Over Session in January 2018. Each Pour Over Session is filmed before a live audience of Starbucks partners and includes a one-on-one discussion between a featured guest and a moderator, followed by questions posed by members of the audience. Starbucks encourages each Store Manager and their partners to watch the Pour Over Sessions and provides one hour of labor time to do so.



Figure 1 | 10| Starbucks partners participating in a taping of a Pour Over Session

The Pour Over Sessions are accompanied by Third Place Discussions, digital discussion guides based on the topic underlying each Pour Over Session. The discussion guides are designed to enable store partners to have constructive conversations and work through scenarios with other partners in small groups in their stores. The Company provides thirty minutes of labor time for each partner to participate.



Figure 2 | 10| Starbucks store partners participating in a Third Place Discussion

Approximately every six to seven weeks, Starbucks provides a new Pour Over Session and an accompanying discussion guide to each of its stores across North America and South America, as well as select markets in Europe, the Middle East, and Africa. Although partners are not required to watch the Pour Over Sessions, Starbucks reports that Pour Over Sessions have consistently high engagement among retail partners, and data indicate that partners watch previously released Pour Over Sessions multiple times after their initial release.

In the last year, as we recommended in our 2019 Report,<sup>5</sup> Starbucks has featured a diverse set of speakers in its Pour Over Sessions. Topics have included:

- Mindful Decision Making
- Courageous Leadership
- Creating an Inclusive Environment
- Leaning Into Discomfort
- Being a Community Builder
- Sharing Your Story
- Conversations on Mental Health
- Strengthening the Human Connection
- Embracing Your Identity

“The Third Place training has helped me connect with customers better and understand people more. I think all workplaces should dive deep into what unconscious bias is because it affects every single human in almost every situation!”

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*Emily J., shift supervisor, Cincinnati, OH*

“Most of our lives is looking for a likeness in something or someone else in this world. A feeling of home. Of being at ease in the company of others. We search for our people. Our team. A significant other. Or sometimes, we search just to find ourselves. I can not fully explain my feelings on this because it is something I’m experiencing for the first time. Let me make it clear, this is the first time in my professional life that I saw something or someone I could truly identify with as such an essential part of who I am. I am so proud of this company. For everything we’ve done and for this third place development series. We’re being socially conscious and responsible. We’re acting and taking risk. This one however it so specifically personal to me. As a non-binary QTPOC I struggle to find representation in the world around me. So to be able to view something so astounding to me and that my company also felt was important enough to share...well that has made me feel a way I’ve never ever felt before in my life. I feel seen. I feel validated. I feel like I’ve found my third place. More accurately I’ve found my home. Thank you Starbucks. For giving me something so amazingly beautiful that will change the course of my life. I am so proud to be a partner.”

---

*Colleen E., store manager, Cleveland Heights, OH*

“Just completed the Summer 2 Third Place training with my shift supervisors & wanted to share a wonderful story from a member of my team!

When I asked how we currently act with empathy when creating the Third Place for guests in our stores, Strawberry shared a story about one of our regular guests, Patricia.

Patricia is a houseless woman who comes to Starbucks because it’s the closest thing she has to a home. Here, she’s able to connect with the people she loves, enjoy interaction with our partners, and spend some time out of the heat. One day, Patricia came in without shoes. Strawberry approached her and attempted to inform and educate, by letting her know that we love to have her as a guest in our store, but that shoes are a necessary in order to enjoy our space. Patricia was obviously upset, expressing concern because she didn’t own a pair of shoes that she could wear inside of our store. Strawberry waited for her break, and then went to CVS to buy Patricia a pair of flip flops so that she could continue to be welcome in our store.

Strawberry never brought this up to anyone until our meeting, because from her perspective it was just what you do for another human being. I’m constantly humbled by my partners capacity to care for those who come into my store but this one blew me away. I’m immensely proud of my team and of Strawberry for continually pushing herself to create a warm environment for all customers, whether this is their third place or their only one.”

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*Iri G., store manager, St. Petersburg, FL*

In September 2019, Starbucks launched a 15-course curriculum, titled “To Be Welcoming,” developed by Arizona State University in collaboration with more than 50 subject-matter experts.<sup>6</sup> The course was designed as a resource for Starbucks partners to learn about issues of bias, empathy, civility, and dialogue.<sup>7</sup> The curriculum includes an introduction and 14 courses on different biases present in society, including those related to race, gender, political affiliation, age, disability, religion, nationality, sexuality, class, and ethnic origin.<sup>8</sup> Starbucks has made “To Be Welcoming” available at no cost to the public and other organizations seeking to promote conversations about bias. The courses provide several online learning tools, including videos of subject-matter experts discussing issues related to bias, written presentations, and interactive quizzes. There have been over 6,700 registrations for “To Be Welcoming” coursework since it launched.

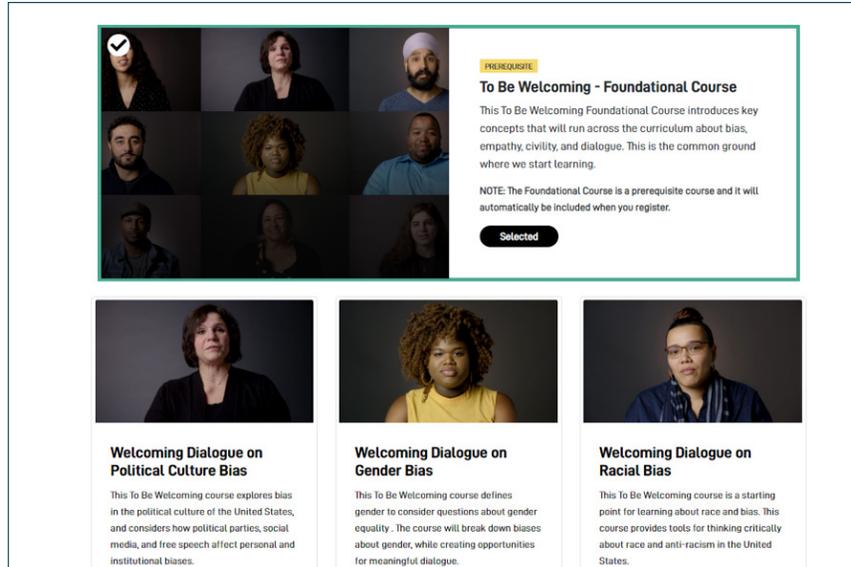


Figure 3 | 13| Landing page of “To Be Welcoming” available at [tobewelcoming.com](http://tobewelcoming.com)

“Retail leaders understand the direct relationship between a diverse and inclusive culture and business success. Critical to fostering a diverse and inclusive environment is providing team members with the skills they need to understand and engage with people with life experiences different from their own. In retail, millions of such interactions happen every day among coworkers and with customers. The “To Be Welcoming” curriculum that Starbucks has asked ASU to develop is terrific because it enables open access to these training tools, expanding the impact exponentially by ensuring that tools to build these important skills are available to anyone.”

*Brian Dodge, President, Retail Industry Leaders Association*

“These courses intend to draw on our natural curiosity to both understand ourselves and others. We grow and develop by engaging and being engaged by material, each other, and the places that we live. Drawing on the materials and the different perspectives presented allows us to engage in what some might call “difficult dialogues” in a way that is focused on getting it right rather than being right.”

*Dr. Bryan Brayboy, President’s Professor and Borderlands Professor of Indigenous Education and Justice, School of Social Transformation, Arizona State University*

As part of its continued efforts to ensure equal treatment for its customers and create a welcoming and safe environment in its stores, Starbucks continues to train partners to respond effectively to disruptive behaviors. In November 2019, Starbucks updated a 2018 resource guide for partners, the *Starbucks Maintaining the Third Place Activity Guide*. The *Guide* identifies common disruptive behaviors and provides effective options for responding to each, including sample language that partners can consider using. The *Guide* presents different scenarios involving each disruptive behavior, which allow partners to roleplay their potential response and practice addressing these behaviors.

These exercises train store partners to focus on a customer’s conduct when evaluating and responding to a potentially disruptive behavior, rather than focusing on personal characteristics, like race or dress, that can mask unconscious biases.

### *Leadership Experience 2019*

The 2019 Report noted that the key to balancing Starbucks’ aspiration of creating a welcoming Third Place for all with the Company’s responsibility to address disruptive and potentially dangerous behaviors was “an empowered workforce striving to provide an exceptional customer experience.”<sup>9</sup> In September 2019, Starbucks took an important step toward this goal, organizing the largest partner experience in the Company’s history: Leadership Experience 2019 (“LE19”). Starbucks assembled more than 12,000 of its Store Managers and other field leaders from the United States and Canada for a week of presentations, trainings, and activities designed to reinforce Starbucks’ Mission and Values and empower Store Managers and field leaders to more effectively manage their stores.<sup>10</sup> LE19 allowed Starbucks’ senior leadership, including CEO Kevin Johnson, to engage directly with Store Managers and to hear about the issues of greatest concern to them. Equally important, LE19 allowed Store Managers to express what additional steps leadership could take to support partners’ efforts to create a welcoming Third Place. As Rossann Williams, President of U.S. Retail, wrote in a note sent before LE19:

*We will redefine what it means to be a leader at Starbucks, explore our role as community builders, strengthen our commitment to creating the very best moments for our customers, address some of the biggest social issues of our time, and aspire to build an even more welcoming third place in every community across America.*



Figure 4 | 14| Starbucks Store Managers gathered for Leadership Experience 2019 in Chicago, the largest gathering of partners in the Company’s history

Before LE19, Starbucks conducted extensive research through partner surveys and a feedback panel composed of approximately 80 Store Managers to understand which issues were of greatest importance to partners. Concerns about the need to promote mental health among store partners resulted in a “Mental Health Matters” session at LE19, featuring clinical psychologist Guy Winch, who led a discussion about mental wellbeing, including some concepts from his book *Emotional First Aid*.<sup>11</sup>



Figure 5 | 15| Starbucks Store Managers participating in the “Strengthening Communities” experience as part of Leadership Experience

LE19 began with a “Strengthening Communities” experience. Past Leadership Experiences involved large-scale service projects, where thousands of managers focused on a community improvement project for a single day. The Strengthening Communities experience, by contrast, was designed to give Store Managers community service tools and resources they could use continually in their stores and communities. More than 35 local and national nonprofits participated in educating partners about the services they offer.

More than 2,500 partners participated in an elective session called “Being a Community Champion.” The curriculum was designed in partnership with a Chicago-based nonprofit and taught partners how they can build partnerships and create positive impact in communities. Partners shared their best practices and experiences with one another.

More than 1,500 partners participated in an elective session focused on building and nurturing diverse and inclusive teams. Starbucks Board Member Mellody Hobson opened the session, which was facilitated by Starbucks’ Inclusion, Diversity, Equity, and Accessibility (IDEA) team and external experts and featured videos from Starbucks partners across the country. The course focused on the value of diverse teams, and strategies for hiring, retention, and development.

In addition to a focus on mental health, Starbucks announced several other initiatives at LE19 intended to provide important resources to make partners' work more effective and meaningful, including:

- Improvements to scheduling software and digital incident reporting;
- Eight additional labor hours that Store Managers can use to train the partners who work in their stores, or on other management tasks;
- Promoting partner safety by making ride sharing available for partners who are opening or closing certain stores;
- Launching a single help line for employees—Starbucks 411—to replace the multiple lines that currently exist; and
- Announcing a new opportunity for Store Managers to nominate a local nonprofit organization in their community for a Neighborhood Grant from the Starbucks Foundation.<sup>12</sup>

The results of partner surveys conducted after LE19 suggest that it was well received by partners, with 97 percent of Store Managers surveyed agreeing the event was a “valuable experience to me, as a partner.” In addition, partners shared that it promoted an important sense of inclusion among store partners. A partner survey conducted in the fourth quarter of 2019 found that 82 percent of Store Managers agreed that their store has an inclusive environment, an 11 percent increase since the fourth quarter of 2018. Similarly, in the 2019 survey 53 percent of Store Managers agreed that Starbucks lives up to its Mission and Values, a 22 percent increase from the previous year's results.

“I plan to think more openly about my business, customers, and partners. I feel inspired to be THE best store manager I can be for my team. Before Leadership I was losing my passion for Starbucks ... but Leadership got me inspired and passionate about the company I fell in love with 10 years ago.”

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*Store manager from an anonymous survey*

“After coming back from leadership, I have already taken a more active role in my community and am working hard to become more of an active leader in the community.”

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*Store manager from an anonymous survey*

### *Engagement with Law Enforcement to Support the Third Place*

Starbucks understands that building trusted relationships with law enforcement is an important part of sustaining a welcoming and safe environment in its stores. During the last year, Starbucks has continued its longstanding efforts to engage with members of law enforcement and law enforcement organizations. Since 2017, Starbucks has worked to foster better understanding

between partners and law enforcement by hosting over 1,500 local “Coffee with a Cop” conversations.<sup>13</sup> In March 2019, Starbucks met with the National Organization of Black Law Enforcement Executives and other key national stakeholders to share best practices for combating bias with respect to law enforcement.

The importance of these ongoing efforts was underscored powerfully by three incidents that occurred in 2019, in which law enforcement officers felt disrespected or unwelcome in a Starbucks café. Following each incident, Starbucks promptly apologized to the law enforcement officers and their departments, investigated the incident, and took appropriate remedial action with partners based on the results of the investigation.<sup>14</sup> As CEO Kevin Johnson said in a letter to all U.S. partners in December 2019 following these incidents:

*These are painful to see because they do not reflect who we are. With thousands of locations no enterprise relies on law enforcement more to help respond to emergencies in our stores and keep our communities safe. When we get it wrong, as we have in these recent incidents, we must acknowledge it, we must apologize for it and we must find a way to fix it.*

In 2020, Starbucks will release a new Pour Over Session, “Enhancing Community Partnerships,” featuring Police Chief Sylvia Moir and a collection of law enforcement officers from across the country. The session will address some of the challenges faced by law enforcement officers in the communities they serve. Further, Starbucks is partnering with National Night Out, an annual community-building campaign that promotes police-community partnerships and neighborhood camaraderie, to provide Store Managers around the country an opportunity to participate in the August 2020 event. Starbucks is also working on additional initiatives to help them build and strengthen connections with law enforcement.

“Our store has a close relationship with local law enforcement. Recently, after a neighborhood shooting they asked if we could host an impromptu Coffee With a Cop event. This gave the community a chance to come together during a rough time – it was a packed event! There was no agenda and no speeches. Just coffee and the chance to ask questions, voice concerns and get to know the Officers in our community.”

*Lisa W., store manager, Chicago, IL*

“Looking back on the last year and a half since I transferred into Philadelphia from the suburbs, the single most impactful thing we’ve done to help make our partners feel safer and protect The Third Place has been to build relationships with the Police Department. Coffee with a Cop was the starting point for building those relationships.”

*Brian D., district manager, Pottstown, PA*

## Updates on Key Recommendations from Listening Sessions and to Sustain the Third Place

2019 Report Recommendation	2020 Progress
<p><i>Disruptive Behaviors Training</i></p> <p>Consider providing additional staff or training in stores where disruptive behaviors occur most frequently. Starbucks is currently conducting a pilot program regarding this recommendation.</p>	<ul style="list-style-type: none"> <li>■ Starbucks created a partnership with United Way Worldwide (UWW) to utilize a UWW social worker assigned to support 10–15 geographies with the highest rate of disruptive incidents. The program will launch in eight urban areas in 2020 and is scheduled to launch in the first city on the East Coast in February 2020.</li> </ul>
<p><i>Disruptive Behaviors Training</i></p> <p>Design trainings for addressing disruptive behaviors, tailored to low-, medium-, and high-incident stores. These trainings should use real-world examples of the challenges faced by Starbucks partners and should reinforce the principles underlying Starbucks' current approach to addressing disruptive behavior. Starbucks is currently conducting a pilot program regarding this recommendation.</p>	<ul style="list-style-type: none"> <li>■ The virtual reality pilot that used real-world examples was successful and Starbucks is exploring whether it can make such a training available for all Store Managers.</li> <li>■ As discussed above, Starbucks' <i>Maintaining the Third Place</i> digital module and activity guide were added to the core Shift Supervisor training for new hires and promotions as of November 2018 and updated in November 2019. These materials allow Store Managers to focus on the issues that are most relevant for their store.</li> <li>■ A 90-minute digital “De-escalation through our Mission and Values” training was made available to all existing partners in roles at the end of July 2019 and continues to be utilized in the field.</li> <li>■ In 2020, Starbucks will release a 30-minute training for all store partners, “Treating Others with Dignity and Respect.” This is a discussion guide designed for Store Managers to lead a conversation with their partners.</li> </ul>
<p><i>Disruptive Behaviors Training</i></p> <p>Continue convening working groups composed of partners who work in stores where serious disruptive behaviors occur more frequently, to develop best practices for responding to disruptive behavior, and for preserving a welcoming third place, despite these behaviors.</p>	<ul style="list-style-type: none"> <li>■ In 2019, Starbucks formed a Retail Field Advisory Council to focus on those markets facing unique challenges to maintaining a welcoming and safe environment in their stores.</li> <li>■ Starbucks has developed an interactive discussion guide for all partners featuring the Seattle Public Library's “empathy-based approach” employee training to welcome their patrons.</li> </ul>

2019 Report Recommendation	2020 Progress
<p><i>Third Place Public Awareness Campaign</i></p> <p>Raise public awareness of Starbucks’ goal of creating a welcoming third place and emphasize to customers that they share responsibility for maintaining it. Regional Managers and District Managers should emphasize that maintaining a welcoming third place is as important as the Company’s business metrics.</p>	<ul style="list-style-type: none"> <li>■ Starbucks has issued a new Code of Conduct to be displayed in their stores that raises public awareness about the Company’s anti-discrimination policy among other expectations for how to maintain the Third Place. Regional and District Managers have been encouraged to emphasize the new Code of Conduct in trainings, other meetings, and leadership store visits.</li> </ul>
<p><i>Third Place Public Awareness Campaign</i></p> <p>Promote, as described above, “Starbucks’ Principles for Upholding the Third Place” and use it to increase customer awareness of Starbucks’ concept of the third place and the values and shared responsibilities underlying it. As part of this effort, Starbucks should consider asking customers to acknowledge the Third Place Principles and Starbucks’ customer-use expectations when accessing a store’s WiFi network. Starbucks should also consider expanding its use of in-store artwork, featuring local artists and influencers where possible, to promote the Third Place Principles, and the concept of a third place where everyone is treated with dignity and respect.</p>	<ul style="list-style-type: none"> <li>■ Starbucks has addressed this recommendation by instructing all Store Managers to display the new Code of Conduct, as discussed above.</li> <li>■ The Company is still exploring the technical requirements for requiring customers to acknowledge the Third Place when logging onto Starbucks’ WiFi. The Code of Conduct is currently available on <a href="https://www.starbucks.com/thirdplace">https://www.starbucks.com/thirdplace</a>.</li> </ul>
<p><i>Pour Over Sessions</i></p> <p>Take advantage of opportunities to feature additional people of color and individuals from underrepresented backgrounds in the Pour Over Sessions.</p>	<ul style="list-style-type: none"> <li>■ The Pour Over Sessions since the 2019 Report have intentionally featured a diverse set of speakers, including diversity of representation from the perspective of disability, race, age, sexual orientation, and national origin.</li> </ul>
<p><i>Anti-Bias Training</i></p> <p>Provide anti-bias training to new partners during the onboarding process.</p>	<ul style="list-style-type: none"> <li>■ In addition to the training discussed above, Starbucks continues to explore mandatory anti-bias training for all U.S. partners.</li> </ul>

2019 Report Recommendation	2020 Progress
<p><i>Anti-Bias Training (continued)</i></p> <p>Provide anti-bias training to new partners during the onboarding process.</p>	<ul style="list-style-type: none"> <li>■ The 2019 Report identified Starbucks’ plans for all Senior Vice Presidents+ positions, as well as Partner Resource Organization (PRO) generalists and recruiters, to engage in additional experiential learning to further instill the Company’s ethic around conscious inclusion. Starbucks has since partnered with the NeuroLeadership Institute (NLI) to deliver their course <i>DECIDE: The Neuroscience of Breaking Bias</i>. The objective of the course is to improve the quality of people and business decisions through bias mitigation. The course includes NLI’s SEEDS model, a framework for identifying and labeling potential biases, and “if-then” action planning on how to remove bias from processes. The content was delivered over a 30-day campaign to all North American partners in the PRO organization.</li> </ul>
<p><i>Revision of Starbucks’ Formal Policies</i></p> <p>Revise Starbucks’ existing policy and training manuals to feature the sections describing Starbucks’ customer definition and approach to addressing disruptive behavior at the front of each document, and update Starbucks’ Safety and Security Manual to incorporate this new policy and guidance. Starbucks should also revise its policy and training manuals to reduce redundancies and cross references among the manuals. Starbucks has committed to revise its existing policy and training manuals to reflect these recommendations.</p>	<ul style="list-style-type: none"> <li>■ Starbucks is in the process of issuing updated Partner Guides to all of its U.S. partners. The updated Guides reflect our recommendations from the 2019 Report, such as incorporating Starbucks’ definition of a customer in the “Starbucks: The Story” and the addition of a new section entitled “Commitment to a Respectful Workplace” that includes an expanded definition of discrimination and harassment.</li> <li>■ The Health and Safety Source file, updated in 2019, includes sections on partners’ role in “keeping a safe and welcoming store,” identifies disruptive behaviors, and notes that partners should “always assess the behavior, not the person.”</li> <li>■ The 2020 Ops Excellence Field Guide includes numerous edits based on our recommendations from the 2019 Report, all designed to further promote the Third Place. For example, when discussing Starbucks’ values, the following new language was added: “We reinforce these values when we embrace inclusion, and intentionally leverage the diversity of our partners, and initiate opportunities to learn from people with different backgrounds, cultures and perspectives.”</li> </ul>

2019 Report Recommendation	2020 Progress
<p><i>Revision of Starbucks' Formal Policies (continued)</i></p> <p>Revise Starbucks' existing policy and training manuals to feature the sections describing Starbucks' customer definition and approach to addressing disruptive behavior at the front of each document, and update Starbucks' Safety and Security Manual to incorporate this new policy and guidance. Starbucks should also revise its policy and training manuals to reduce redundancies and cross references among the manuals. Starbucks has committed to revise its existing policy and training manuals to reflect these recommendations.</p>	<ul style="list-style-type: none"> <li>Customer definition and customer service language was updated in the Barista Basics and Shift Supervisor Guides, and was incorporated into the learning components of the November 2019 versions. Shift Supervisors are required to spend 30 minutes with their Store Managers completing the <i>Creating the Starbucks Experience</i> activity guide.</li> </ul>
<p><i>Monitoring Formal Policy Implementation</i></p> <p>Continue monitoring and evaluating implementation of the Use of the Third Place Policy and addressing disruptive behavior procedure to determine whether stores or partners in some markets need additional support to create and maintain a welcoming and safe third place.</p>	<ul style="list-style-type: none"> <li>As noted above, Starbucks has formed a Retail Field Advisory Council to focus on those markets facing unique challenges to maintaining a welcoming and safe environment in their stores. The Council is exploring ways to provide additional support to partners in these markets, including by deploying a team to spend time in targeted stores that have the highest level of disruptive incidents.</li> </ul>
<p><i>Monitoring Formal Policy Implementation</i></p> <p>Conduct spot audits of the Customer Contact Center (CCC) reporting and routing systems to ensure that all calls are being properly routed and resolved. In addition, consider conducting spot audits, as suggested in the McGhee/Ifill Report, to evaluate any potential variances in customer service experience based on race, and to ensure that Starbucks' customer definition is being implemented without bias.</p>	<ul style="list-style-type: none"> <li>Starbucks conducts random spot audits on CCC filings to ensure protocol is followed according to Company Standards. These audits are not exclusively focused on discrimination incidents.</li> </ul>

## Fostering an Internal Culture of Equity and Inclusion

Last year we reported that Starbucks was committed to “fostering a diverse and inclusive workplace that reflects the communities Starbucks serves.”<sup>15</sup> Starbucks’ commitment to these principles is reflected in the rich diversity of its partners—from those who are military spouses, Opportunity Youth, and Deferred Action for Childhood Arrivals (DACA) partners; to those who work in its Signing Stores or Community Stores; to those who participate in its Partner Networks. Starbucks recognizes that maintaining a culture that reflects the communities it serves depends on hiring, promoting, and retaining partners from a broad array of backgrounds at every level of the Company, from store partners to the Company’s Executive Leadership Team. Starbucks’ efforts to embrace and support a diverse partner workforce include investments like full-time benefits for part-time work, goals to employ underrepresented populations, and the selection of a diverse board of directors.

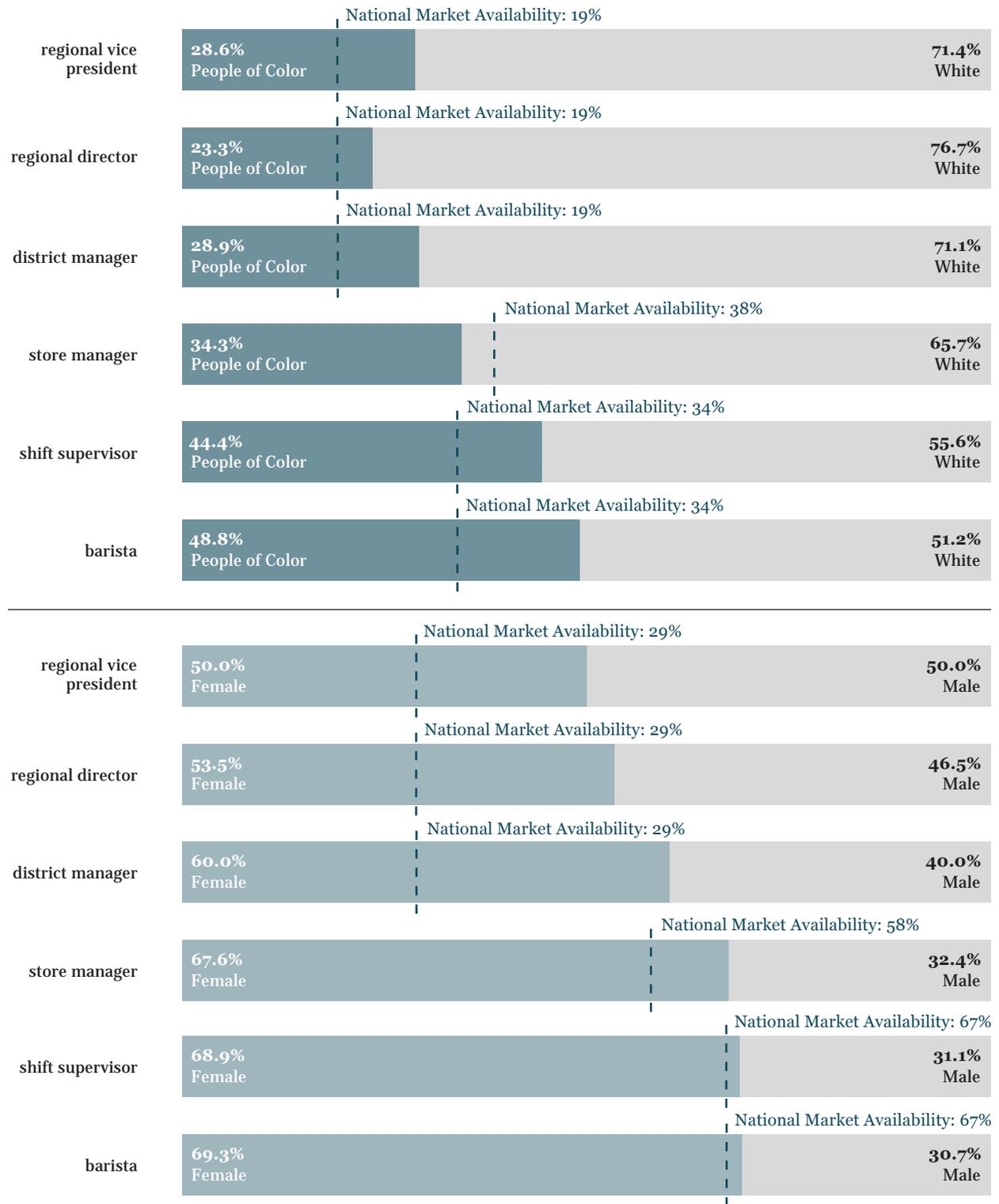
As discussed below, the Company continued its progress towards fostering an internal culture of equity and inclusion over the last year. As recommended in the 2019 Report, Starbucks hired a Chief Inclusion and Diversity Officer. The Company has also broadened its approach to inclusion and diversity in placements, promotions, retention, and hiring, brought a global focus to gender pay equity, and made meaningful expansions to the Company’s benefit programs. Since the 2019 Report, Starbucks has also received a 100 percent score on the Human Rights Campaign Corporate Equality Index (CEI) for a seventh consecutive year,<sup>16</sup> as well as a perfect score on the Disability Equality Index (DEI), with the designation of the Best Place to Work for Disability Inclusion.<sup>17</sup>

### *Partner Base*

Starbucks provides its diversity statistics publicly on its website. As shown in Figure 6 below, among retail employees, women and minority representation in the Starbucks partner base exceeds the national market availability in nearly every job level with the exception of the Store Manager population. In that group, Store Managers of color are 3.7 percent below the national market availability. Starbucks is committed to closing that gap. The initiatives described later in this section, including new representation goals, enhanced tracking systems, and the expansion of diverse slates, are intended to address this issue and promote greater equity and inclusion among partners at all levels.

As shown in Figure 7 below, among non-retail employees, women and minority representation is also strong and exceeds the corporate benchmarking standards created by McKinsey and Associates in every group except Managers, who are 1.3 percent below the benchmark reported by McKinsey. Starbucks is similarly committed to closing this gap. Diversity among Starbucks’ Board of Directors compares favorably to other large U.S. companies: 38% of the Board are female and 46% of the Board are ethnically diverse.<sup>18</sup>

Starbucks 2020 Progress Report



U.S. Partners Only

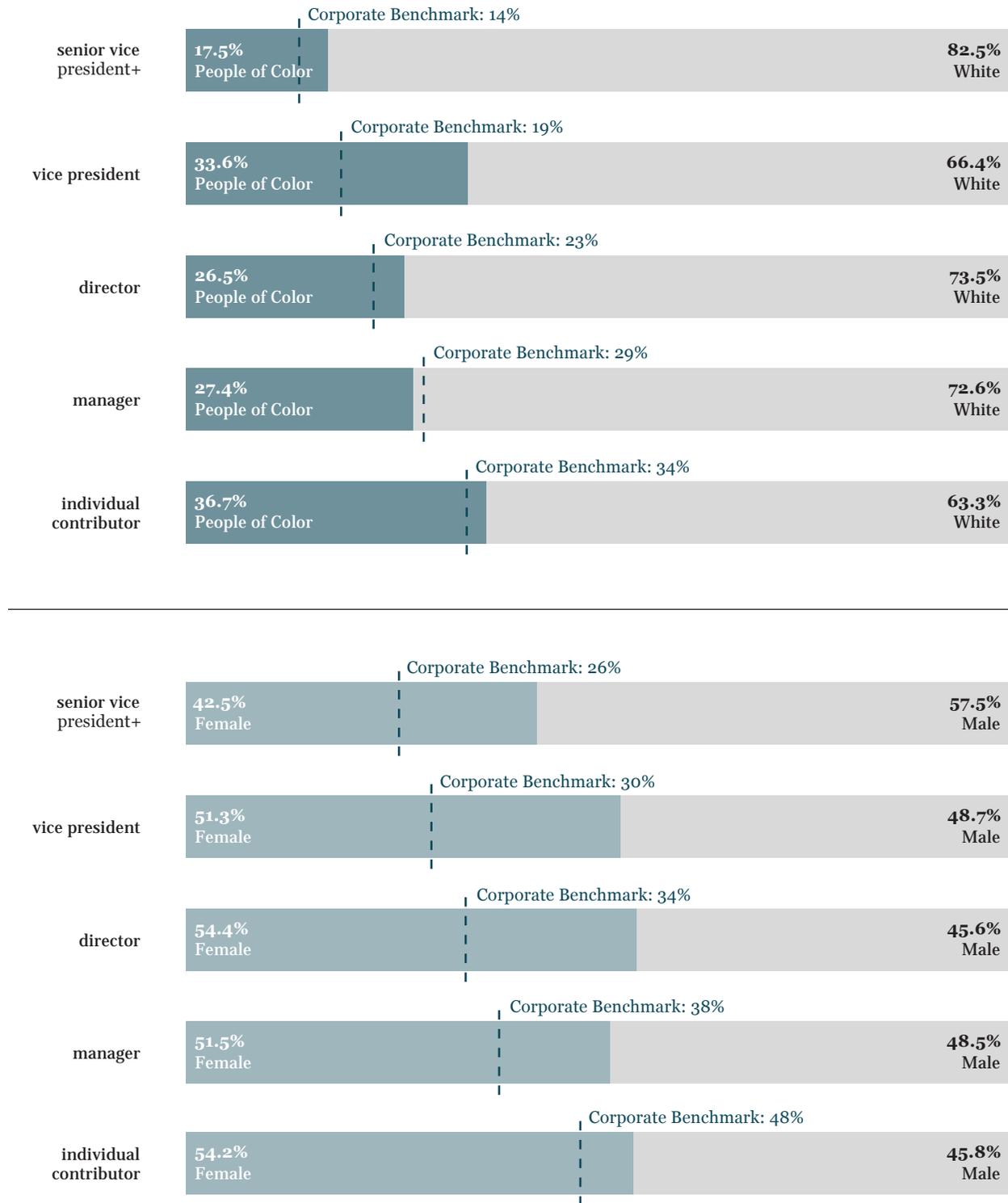
Representation as of 2/9/2020

\*store manager\* includes shift manager, assistant store manager, and retail management trainee

\*National Market Availability\* derived from U.S. Census Bureau, EEO Tabulation 2006-2010 (5-Year ACS data)

Figure 6 | 23 | Starbucks U.S. Retail Demographic Data (as of 2/9/20) compared with National Market Availability

Starbucks 2020 Progress Report



U.S. Partners Only  
 Representation as of 2/9/2020  
 \*Enterprise\* excludes manufacturing partners, store partners, DM, RD, & RVPs  
 \*Corporate Benchmark\* represents levels reported in 2019 Women in the Workplace study (McKinsey & Company, LeanIn.Org)

Figure 7 | 24 | Starbucks Enterprise (Corporate) Demographic Data (as of 2/9/2020) compared to 2019 Women in the Workplace Surveyed Benchmark Data

### *Inclusion and Diversity Leader*

In November 2019, Starbucks hired Nzinga Shaw as the Company's Global Chief Inclusion and Diversity Officer. Ms. Shaw joined Starbucks from the National Basketball Association's Atlanta Hawks, where she had been Chief Diversity and Inclusion Officer since 2014. She is a Vice President within Starbucks' PRO and reports to Starbucks' Executive Vice President and Chief Partner Officer. Ms. Shaw also reports to Starbucks' Chief Operating Officer. Ms. Shaw will lead Starbucks' IDEA team with a focus on integrating inclusive and equitable practices in hiring, development, leadership, and compensation across the organization. She will also oversee the Company's Partner Network program.

We interviewed Ms. Shaw to understand her initial assessment of Starbucks' opportunities for continued progress with respect to inclusion and diversity. She noted the significant steps that Starbucks had already taken to build a strong foundation for the Company's efforts to promote diversity. Ms. Shaw said that she hoped that her efforts would help Starbucks continue to "learn, evolve, and grow," and that one focus would be fostering a sense of belonging among Starbucks partners from underrepresented backgrounds both in the field and in the Starbucks Support Center in Seattle. She added that she was confident that Starbucks would be able to look back with pride on its continuing work in this area.

### *Hiring Initiatives*

Starbucks has continued efforts to expand the pipeline of diverse candidates, build a more diverse workforce, and strengthen local communities by providing employment and transferable skills to individuals facing barriers to employment. Starbucks has made progress towards meeting—and, in some cases, has expanded—the hiring commitments we reported on last year, including the following:

- **Veterans and Military Spouses:** Last year, we reported that since 2013, Starbucks had hired over 21,000 veterans and military spouses and committed to hiring 25,000 veterans and military spouses by 2025.<sup>19</sup> Starbucks has now hired more than 26,000 veterans and military spouses. The Company has additionally committed to hiring 5,000 veterans and military spouses per year going forward.<sup>20</sup>
- **Refugees:** In 2017, Starbucks committed to hiring 10,000 refugees globally by 2022.<sup>21</sup> Since then, Starbucks has hired more than 1,500 refugees in the United States, Canada, and Europe. Because Starbucks relies on partners to self-identify whether they are refugees, the Company may have made more progress towards this goal than these numbers reflect.
- **Opportunity Youth:** Starbucks committed to hiring 100,000 Opportunity Youth by 2020 and, as of the 2019 Report, had hired more than 75,000 Opportunity Youth.<sup>22</sup> Starbucks is on track to reach the 100,000 milestone in 2020.

- **Fair Chance:** Starbucks continues to advocate for ways to provide more individuals a fair chance by removing barriers to workforce reentry for formerly incarcerated persons.<sup>23</sup> The Company does not inquire about criminal histories on initial job applications, runs background checks only after a conditional offer of employment, and provides applicants with a criminal history the chance to be evaluated for employment notwithstanding a conviction by having their circumstances considered on a case-by-case basis. In the last year, Starbucks created a cross-functional team that works with experts and nonprofits serving individuals who were formerly incarcerated to help inform the Company's work in this space.

“Starbucks has made a distinction between an employee and a partner, something that I truly admire. Every shift feels as if I’m working alongside friends rather than my fellow partners. We care about each other like family and want to see each other succeed. I appreciate the opportunity granted to me by Starbucks. It’s hard finding a job with little to no prior work experience and being a part of the Opportunity Youth initiative provides the foundation young people will need to start their adult life.”

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*Angel M., shift supervisor, Wesley Chapel, FL*

“Honestly to me this moment changed my life. Getting hired through the event (LA Opportunity Hiring Fair) allowed me to develop work experience, interpersonal skills, and gave me the confidence I needed when I had no idea where my future was going.”

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*Michael T., barista, Pasadena, CA*

“Starbucks did not grow to 30,000 locations worldwide by making poor business and hiring decisions. They see the value veterans and military spouses bring to their organization and have benefited from hiring them. I hope other companies follow their lead.”

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*Amanda Bainton, executive director, The MOAA Foundation*

### *Enterprise Workforce Goals*

As demonstrated by Figure 6 on the page 23, Starbucks exceeds the national market availability percentages for person of color partners for all retail roles with the exception of the Store Manager population. In that group, Store Managers of color are 3.7 percent below the national market availability. As part of its effort to address this gap and building off insights gained from the Company’s longstanding Executive Workforce Program, Starbucks designed the initiatives described below to enhance transparency regarding Starbucks’ expectations for representation in each function (retail, enterprise, and plants) and promote accountability against its goals for placements, promotions, retention, and compensation.

*Broadening Approach to Diverse Representation and Inclusion*

Starbucks has long had public goals of ensuring that there is consistent and meaningful representation at the senior leadership level for women and people of color.<sup>24</sup> For the rest of the organization, Starbucks established annual representation goals for targeted job groups where women and people of color were underrepresented based on availability in the job market.

Starbucks has—for the first time—set public representation goals across all job groups within each of the three main functions at Starbucks. The Company aims to achieve and maintain as a minimum the following representation goals for all job groups within the Company’s three main functions by 2025:

Diverse Representation Goals		
Function	Women	People of Color
Retail	55%	40%
Enterprise (Corporate)	50%	30%
Plants/ Distribution Centers	30%	40%

The Company has also committed to broadening its focus on representation to include not only diversity in recruiting and hiring external talent, but to internal placements, promotions, retention, and compensation. This includes looking at retention rates and goals on equal representation across levels to reflect how the Company is recognizing and providing opportunities to diverse talent through the organization. In tandem with the 2025 representation goals, each fiscal year IDEA will set intermediate target goals in specific job categories for women and people of color.

*Enhanced Tracking Systems*

Last year we reported that Starbucks was working to equip its managers with additional tools to more effectively build diverse teams. In 2019, Starbucks began using Org 360, a software analytics tool that provides leaders a snapshot of current diverse representation, along with Starbucks’ representation goals. Starbucks has committed to rolling out this tool to all non-retail Vice Presidents within the organization by the end of 2020. This technology will provide visibility

into progress against the Company's long-term diverse representation goals as well as its annual intermediate goals.

In the 2019 Report we noted Starbucks' plans to enhance its ATS to better help internal talent advancement and development in U.S. Retail. In 2020, the Company plans to launch the ATS to allow partners, from Baristas up to Store Managers, to view promotion opportunities and express interest in open roles. As a result, Starbucks expects that Store Managers, District Managers, and Regional Directors will have access to a wider talent pool for open positions. The Company will provide training for partners on how to create a profile, express interest, and report concerns. Once implemented, the ATS will also help the Company track rates of advancement by demographic.

### *Other Key Initiatives*

In the 2019 Report we noted Starbucks' commitment to implementing diverse slates for all Senior Vice President positions and above across the organization. Starbucks has expanded this commitment and beginning in 2020, all open positions at the Vice President level and above will include racial and gender diversity in candidate slates.

In 2020, Starbucks also plans to launch an internal campaign to increase partner awareness and participation of the Company's self-identification survey. Starbucks hopes that better tracking of the self-identification selections of LGBTQ, veterans, refugees, and partners with disabilities will enhance the effectiveness of the Company's ongoing diversity and inclusions strategies.

### *Pay Equity*

In 2018 Starbucks achieved 100 percent pay equity in the United States for women and men and people of all races for partners performing similar work<sup>25</sup> and made a commitment to achieve gender pay equity in all company-operated markets:<sup>26</sup> the United States, Canada, China, Hong Kong, Japan, Austria, Great Britain, Italy, Netherlands, and Switzerland. In March 2019, Starbucks announced that it had achieved gender pay equity in China and Canada—two of the Company's largest markets.<sup>27</sup>

Starbucks' efforts to achieve and maintain gender pay equity are guided globally by three principles designed to target known systemic barriers: (1) "equal footing," (2) "accountability," and (3) "transparency." Each regional Starbucks PRO team is responsible for adapting these principles according to cultural context and local law. Starbucks measures pay equity by: (1) grouping jobs, e.g. by title and location; (2) generating peer group benchmarks, which account for time in role; and (3) analyzing individual partner pay versus these peer benchmarks and trends. Starbucks uses these trend analyses to learn where it may need to make pay adjustments to achieve equity.<sup>28</sup> To measure progress, a team at Starbucks headquarters in Seattle collects data from each region (APAC, EMEA, and North America) biannually.

In an effort to share its commitment with its business partners, Starbucks has begun to establish standards and toolkits to help support and promote gender pay equity analysis and programming in the Company's licensed markets.<sup>29</sup> Starbucks verified that pay equity had been reached in India, a licensed market, in 2019.<sup>30</sup>

“Strong leaders lead by example and Starbucks is one of the strongest leaders in the fight for equality and inclusion. It is very fashionable today to be ‘in the discussion’ on equal pay. But it is entirely a different situation and a more positive step to be a leader in the space, as opposed to being a passive listener. Actions need to match the words.”

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*Billie Jean King, Sports Icon, Social Justice Pioneer, and Founder of the Billie Jean King Leadership Initiative*

### *Expanded Benefits*

Over the last year, Starbucks has continued its tradition of providing market-leading benefits to its hourly workforce, once again earning a distinction from AON as the leading provider in benefits. Consistent with one of the 2019 recommendations, Starbucks has asked for and used feedback from partners to design and implement new benefits to support the health and safety of partners, including with respect to mental health and family expansion.

### *Commitment to Supporting the Mental Health of Partners*

Based on feedback from its partners, Starbucks created a Mental Health Matters online forum, in which more than 5,000 partners have contributed and discussed ideas regarding mental health and wellbeing.<sup>31</sup> Starbucks used this input to develop several benefits designed to promote mental health in consultation with experts. Starbucks plans to implement several additional measures in the next year.

Starbucks plans to implement additional training for all U.S. and Canada retail managers and all non-retail partners on how to provide mental health support to their teams.<sup>32</sup> This training will include four 30-minute digital modules:

- **Module 1:** Situational Awareness—noticing when something is out of the ordinary, appropriate timing, and the appropriate place to have a conversation.
- **Module 2:** Effective Listening—designed to help participants learn the basics of how to demonstrate effective listening skills when communicating with a partner who may be experiencing a mental health or substance use challenge.
- **Module 3:** Emotional Support, Encouragement, and Reassurance—designed to help participants give reassurance and encourage open communication to a partner who may be experiencing a mental health or substance use challenge and describe available resources.
- **Module 4:** The Value and Importance of Self Care—designed to help participants develop a self-care plan to cope with feelings they may encounter after giving mental health “first aid.”

In April 2020, Starbucks plans to launch a new initiative to make quality mental health care more readily available to its partners. Partners will be able to use a portal to schedule appointments with providers in a network of evidence-based therapists. Starbucks expects this program to greatly reduce the length of time that partners will have to wait before an appointment with a therapist, from approximately eight weeks to one week. Starbucks further expects that the network of therapists that will serve Starbucks partners will be significantly more diverse than the overall population of evidence-based therapists.

In another effort to provide partners accessible tools, Starbucks now provides Headspace, a mobile application for meditation and mindfulness, to all partners in the United States and Canada.<sup>33</sup> The benefit was met with enthusiasm, with more than 48,000 partners signing up within days of its launch.

“As a single mom with so many partners and customers that are struggling in various areas of mental health issues such as depression, anxiety and stresses of life many times I put myself last and then I struggle to be the very best I could be. I never allow myself to feel or heal what I am going through trying to maintain a safe space for everyone else. I am so grateful to work for a company that truly takes care of partners. When I started 20 years ago there was a quote in training “take care of your partners and they will take care of your business” and I still believe in this very very much.”

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*Fawyna R., store manager, Everett, WA*

### *Family Expansion Reimbursement Benefit*

In October 2019, Starbucks announced an enhancement to its Family Expansion Reimbursement benefit.<sup>34</sup> Eligible partners can receive financial assistance for the costs of growing their family through adoption, surrogacy, or Intrauterine Insemination (“IUI”), up to \$10,000 per attempt and a \$30,000 lifetime maximum. This expansion was designed to help, in part, same-gender or individual partners seeking to expand their families who may not receive sufficient coverage through their insurance.

### *Accessibility Resources*

Last year we reported that Starbucks’ Accessibility Office was working to integrate accessibility into internal products, such as Starbucks’ intranet.<sup>35</sup> In Spring 2019, the Office launched a new intranet hub page to support the creation and maintenance of accessible, welcoming environments for all partners and customers. The resources are organized by category:

- **Culture of Belonging:** Stories, videos, and tools on disability and accessibility awareness.
- **Hiring and Employment:** Tools for the hiring and support of partners with disabilities.
- **Inclusive Design:** Requirements, standards, and tools to create accessible materials and events for partners and customers.

Partners can also use the hub to request disability accommodation tools and resources, training and consultations, services and emergency assistance.

## Updates on Recommendations for Fostering an Internal Culture of Equity and Inclusion

2019 Report Recommendation	2020 Progress
<p><i>Inclusion and Diversity Leader</i></p> <p>[A]s Starbucks implements the role of inclusion and diversity leader, this position should have opportunities to report directly to Starbucks' Executive Leadership Team, including the CEO, and the Board of Directors.</p>	<ul style="list-style-type: none"> <li>■ Ms. Shaw's position falls within PRO and she reports directly to Lucy Helm, Starbucks' Chief Partner Officer (CPO). Ms. Shaw also has a dotted-line reporting relationship to Roz Brewer, Starbucks' Chief Operating Officer. Ms. Shaw will also actively engage with other members of Starbucks' leadership team, including the CEO and Board of Directors, when appropriate.</li> </ul>
<p><i>Partner Networks</i></p> <p>Encourage all levels of leadership to explore ways to provide greater support for Partner Networks in order to raise the visibility and importance of the Partner Networks internally throughout the business and drive greater partner participation.</p>	<ul style="list-style-type: none"> <li>■ In November 2019, the CPO presented on Partner Network strategy and executive champion roles and expectations to the Executive Leadership Team.</li> <li>■ Starting on January 16, 2020, Partner Network panels have been added as part of the immersion experience for new PRO employees.</li> </ul>
<p><i>Partner Networks</i></p> <p>Incorporate an opportunity for new partners to join Partner Networks during the onboarding process.</p>	<ul style="list-style-type: none"> <li>■ Opportunities to join Partner Networks have been integrated into the New Partner Experience (effective November 2019) and the onboarding process for enterprise positions.</li> </ul>
<p><i>Partner Networks</i></p> <p>Create a single, internal resource, perhaps a revised "Partner Hub" on the Company's intranet, to host resources regarding the Partner Networks and to allow partners who wish to learn more about the Partner Networks to find information about them easily.</p>	<ul style="list-style-type: none"> <li>■ A new Partner Network guide was made in Spring 2019 and is linked on Partner Hub.</li> <li>■ The Partner Networks landing page was updated in June 2019 and now includes direct links to Partner Network guides, chapter activation and leadership application forms, event-planning resources, Office 365 links, workplace links, and links to individual network hub pages and workplace groups.</li> </ul>

2019 Report Recommendation	2020 Progress
<p><i>Partner Networks</i></p> <p>Consider additional ways to support the Partner Networks. Specific examples based on partner feedback include sponsoring events, programs, or initiatives and the implementation of additional avenues for communication, such as a diversity council.</p>	<ul style="list-style-type: none"> <li>■ Like many companies, Starbucks encourages partners to complete a voluntary self-identification survey to track diversity statistics and inform diversity and inclusion strategies. Partners may complete this as part of the onboarding process and update it at any time thereafter. As of May 22, 2019, Starbucks added a new Lesbian, Gay, Bisexual, Transgender, or Queer (LGBTQ) self-identification option in the My Partner Info form. As with other identity selections—disability, refugee, veteran, military spouse—LGBTQ self-identification is completely optional. Starbucks added this option in response to feedback and advocacy from the Pride Alliance partner network.</li> <li>■ Partner Networks FY20 strategy offsite in October 2019 brought together network co-chairs to collaborate on strategy, events, and programming, and having an intentional focus on intersectionality and allyship.</li> <li>■ Partner Networks are now part of the core cross-functional team for heritage month integrated campaigns (external and internal channels), which started with Pride 2019, LatinX Heritage Month 2019, and is currently in progress for Black History Month 2020 and Women’s History Month 2020. This will amplify and complement Partner Network programming during heritage months.</li> </ul>
<p><i>Partner Engagement</i></p> <p>Continue to survey partners periodically to assess partner perceptions of the Company’s culture for equity, diversity, and inclusion.</p>	<ul style="list-style-type: none"> <li>■ Starbucks continues to survey partners on a routine basis and includes questions intended to elicit relevant information, for example, “I feel a sense of belonging in my store,” “My store has an inclusive environment,” and “Starbucks lives up to its Mission and Values.”</li> <li>■ In an April 2019 non-retail partner survey, the company asked a series of questions related to inclusion and diversity at Starbucks. Partners agreed that Starbucks has an inclusive working environment and that inclusion and diversity is a critical priority for the company. The survey identified that opportunities exist to clarify and communicate the Company’s IDEA strategies and available resources.</li> </ul>

2019 Report Recommendation	2020 Progress
<p><i>Partner Benefits</i></p> <p>Monitor utilization of existing benefits where appropriate to ensure that program objectives are being met, as with first-in-family attendees within the Starbucks College Achievement Plan (SCAP) program.</p>	<ul style="list-style-type: none"> <li>■ Starbucks ensures that every provided benefit receives a regularly scheduled analysis based on Key Performance Indicators. SCAP key metrics are reviewed three times a year to ensure the program is advancing as intended.</li> </ul>
<p><i>Partner Benefits</i></p> <p>Continue designing and deploying benefits that are responsive to partner feedback, as with the development of the transgender health benefit and Pathway to Admission.</p>	<ul style="list-style-type: none"> <li>■ Starbucks’ responsiveness to partner feedback is demonstrated through the enhanced mental health and family expansion benefits discussed above.</li> </ul>
<p><i>Partner Benefits</i></p> <p>Continue evaluating ways to increase enrollment in benefits including healthcare benefits, 401(k), and stock programs.</p>	<ul style="list-style-type: none"> <li>■ The number of partners enrolled in Starbucks 401(k) increased between January 31, 2019, and January 31, 2020. Starbucks continues to evaluate ways to increase enrollment in the benefits offered to partners.</li> </ul>
<p><i>Partner Benefits</i></p> <p>Continue to explore providing up-front tuition coverage for SCAP.</p>	<ul style="list-style-type: none"> <li>■ Starbucks continues to explore this option.</li> </ul>

## **Anti-Discrimination Policy and Training**

Since publication of the 2019 Report, Starbucks has implemented the revisions we recommended to its EEO statement and its anti-discrimination and anti-harassment policies to create more transparency and accountability by Starbucks for customers and partners. These updates, such as adding additional protected classifications to their EEO statement, better reflect Starbucks' longstanding public advocacy on antidiscrimination issues. These updates are summarized in the chart below.

## Updates on the Recommendations for Fostering an Internal Culture of Equity and Inclusion

2019 Report Recommendation	2020 Progress
<p><i>Revisions to Starbucks' Partner Guides</i></p> <p>Create a new section in the Partner Guides, immediately following the “Pay” section, to set forth all of Starbucks’ policies for preventing discrimination, harassment, and retaliation and for providing reasonable accommodations, as well as all contact information needed to report potential misconduct.</p>	<ul style="list-style-type: none"> <li>■ Starbucks is revising all U.S. Partner Guides for publication in early 2020, beginning in February with completion in April.</li> </ul> <p>The comprehensive new “Commitment to a Respectful Workplace” section in the Partner Guides explicitly anchors the Company’s efforts to prevent discrimination, harassment, and retaliation in Starbucks’ Mission and Values. The new section is noteworthy because it:</p> <ul style="list-style-type: none"> <li>● Consolidates in one place Starbucks’ policies for preventing discrimination, harassment, retaliation, providing reasonable accommodations, and reporting misconduct;</li> <li>● Expands on the prohibition against discrimination, harassment and discrimination;</li> <li>● Includes clearer guidance and contact information for complaint reporting; and</li> <li>● Outlines the investigation process and disciplinary action that will be taken in the event of policy violations.</li> </ul> <ul style="list-style-type: none"> <li>■ The new section is located earlier in the guide, which underscores its importance and makes it simpler for partners to locate.</li> </ul>

2019 Report Recommendation	2020 Progress
<p><i>Revisions to Starbucks' Partner Guides (continued)</i></p> <p>Create a new section in the Partner Guides, immediately following the "Pay" section, to set forth all of Starbucks' policies for preventing discrimination, harassment, and retaliation and for providing reasonable accommodations, as well as all contact information needed to report potential misconduct.</p>	<ul style="list-style-type: none"> <li>■ Starbucks has updated the "Starbucks: The Story" section of the U.S. Partner Guides with new language emphasizing the Company's <b>commitment to a workplace that embraces diversity and inclusion.</b></li> </ul> <p>The subsection "Our Partners" states that Starbucks believes in "providing a workplace that embraces diversity and inclusion" in addition to the existing language about treating partners with respect and dignity.</p> <p>The new subsection "Our Customers" includes Starbucks' customer definition and a statement affirming the Company's commitment to stand against discrimination and racial profiling.</p> <ul style="list-style-type: none"> <li>■ Starbucks has made additional updates throughout the Partner Guides to ensure reporting and contact information is consistent.</li> </ul>

2019 Report Recommendation	2020 Progress
<p><i>Revisions to Starbucks' Formal Policies</i></p> <p>Revise the “Harassment and Discrimination Prohibited Policy” and EEO statement to anchor the Company’s efforts to prevent discrimination, harassment, and retaliation in Starbucks’ Mission and Values. Consistent with this recommendation, Starbucks has adopted a new EEO statement, which is included in Appendix B.</p>	<ul style="list-style-type: none"> <li>■ Starbucks has revised its overarching formal policies, including the:               <ul style="list-style-type: none"> <li>● Equal Employment Opportunity Policy – U.S.</li> <li>● Anti-Discrimination / Anti-Harassment Standard – U.S.</li> <li>● Anti-Retaliation Standard – U.S.</li> <li>● Complaint Procedure – Discrimination, Harassment, Retaliation and Workplace Violence – U.S.</li> </ul> </li> </ul> <p>These policies, approved by Starbucks’ CPO and Starbucks Policy Office, are the governing documents for the policies in the Partner Guides. The formal policy documents are posted in the Company’s online Enterprise Policy Library for partner and manager access.</p> <p>The revised EEO Policy will also be posted on Starbucks.com for customer and job applicant visibility, and stated in a letter signed by the CEO that will be posted with labor law posters for partner visibility in 2020.</p> <p>Starbucks is currently reviewing these revised U.S. policies to expand them, as applicable, to Canada and globally in 2020.</p> <p>Starbucks has implemented Covington’s recommendation to anchor its revised policies on preventing discrimination, harassment, and retaliation to the Company’s Mission and Values in the Partner Guides as outlined above.</p>

2019 Report Recommendation	2020 Progress
<p><i>Training</i></p> <p>Expand harassment prevention training during onboarding to include all store level partners in the U.S., and expand refresher training to include all U.S. partners not less frequently than every two years.</p>	<ul style="list-style-type: none"> <li>■ In 2019, the following Starbucks populations were required to take Workplace Harassment Prevention Training:               <ul style="list-style-type: none"> <li>● All non-store partners in company-owned markets; and</li> <li>● All store partners in states where such training is required under the law.</li> </ul> </li> </ul> <p>These audiences will also receive Harassment Prevention training upon hire. Non-store partners receive a renewal on a yearly basis (except in California, where partners receive training every two years as required by law). Store partners receive a renewal training on a biennial basis.</p> <p>Harassment Prevention Training is provided to Shift Managers, Assistant Store Managers, and Store Managers at the store level. Only Baristas and Shift Supervisors in certain jurisdictions receive this Training where it is required by law (NY, DE, and CA (and soon CT and IL)). All partners upon hire receive information regarding Starbucks' policies in both the Standards of Business Conduct and Partner Guides.</p> <p>Starbucks' Business Ethics &amp; Compliance team uses an Anti-Harassment/Anti-Retaliation Training brochure on an as-needed basis in stores. The brochure is being revised to reflect the updated policies and will be made available by March 2020.</p>

2019 Report Recommendation	2020 Progress
<p><i>Training</i></p> <p>Update Starbucks' onboarding and training materials to educate new partners about the avenues available for submitting complaints.</p>	<ul style="list-style-type: none"> <li>■ Starbucks' four revised U.S. Partner Guides that will be published starting in February 2020 include the following onboarding material: a revised Reporting Procedure and Investigation Process that provides partners additional detail on how to raise complaints and how complaints will be investigated. This revised policy emphasizes that all managers (both retail and non-retail) who observe or learn of discriminatory or harassing conduct must report it to Ethics &amp; Compliance.</li> </ul> <p>Work that is ongoing includes a plan for implementing the new "Commitment to a Respectful Workplace" section of the Partner Guide. This includes educating partners on the expanded definitions of discrimination, harassment, and retaliation, the procedure for reporting complaints, managers' reporting obligations, and the expectation that a respectful workplace is a shared responsibility among all partners.</p>

## Strengthening Communities

During the past year, Starbucks has continued or expanded many of the global social impact initiatives we discussed in our 2019 Report. This section highlights key developments regarding these initiatives.

### *Expanding Community Stores*

In our 2019 Report, we recommended that Starbucks continue the Community Stores initiative—which is designed to support the revitalization of low- to middle-income areas—and expand it as appropriate. Since launching the Community Stores initiative in 2015, Starbucks has opened 14 stores (12 as of the 2019 Report), and it will soon open a 15th.<sup>36</sup> The three newest Community Stores are located in Prince George’s County, MD; Anacostia, DC; and Los Angeles, CA.<sup>37</sup> In a significant expansion of their efforts to empower local communities, Starbucks has committed to opening 100 Community Stores by 2025, each of which will include a designated space for community events and meetings.<sup>38</sup>

Starbucks has established a national partnership with United Way to help drive community engagement in these stores.<sup>39</sup> Local United Way chapters will receive grants to work with, train, and advise partners in Community Stores to create community-based programming. United Way will provide store managers with a resource guide so that partners can refer customers to community resources as needed, participate in store launch events, host gatherings of local leaders, promote the use of the Community Store meeting space, and organize days of service for store partners. As a takeaway from the listening sessions we held with store partners last year, we recommended that Starbucks continue to identify opportunities for partnerships with community organizations to deepen the ties between Starbucks’ stores, partners, and the communities they serve. Starbucks expects that the additional on-the-ground resources provided by United Way will help Community Stores thrive and more meaningfully engage with their surrounding neighborhoods.

“I came back to the company two years ago because I heard a story about the Trenton, NJ store opening up. I was so inspired and motivated to rejoin this company again and be a part of the good works it does beyond the bar.”

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*Livvy S., store manager, Cherry Hill, NJ*

“United Way and Starbucks share a commitment to ensuring every person has the opportunity to thrive, and we’re honored to partner with them. United Way has been connecting people to resources across the U.S. for more than 130 years, and we look forward to deploying United Way’s local expertise and experience to help Starbucks Community Stores make a real difference.”

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*Suzanne McCormick, U.S. President, United Way Worldwide*

### *Metro Support Strategy*

Consistent with our recommendation to identify opportunities for partnerships with community organizations, Starbucks has developed a new partnership strategy for key urban markets. Within these markets, Starbucks will use corporate sponsorships and foundation grants to support government affairs and social impact activities, such as building relationships with local stakeholders and providing community-based resources. Perhaps the most interesting and ambitious component of this strategy is the outreach worker pilot program.

In our listening sessions last year, several partners said that they did not feel equipped with the tools and resources necessary to help customers who were experiencing challenges like homelessness, substance use, and untreated mental illness. In response to this feedback, Starbucks is piloting a partnership with United Way, through which United Way will assign community outreach workers to engage individuals in crisis in and around certain Starbucks stores. Outreach workers will be available to talk with customers and, when necessary, help them access community resources—e.g., housing, employment, and health care—or secure basic needs, like food, clothing, or transportation. The initial phase of the program will include Seattle; Chicago; Washington, DC; Philadelphia; and Los Angeles.

### *Direct Community Investments*

The Starbucks Foundation invested more than \$10 million in communities in 2019.

The following were included as part of that investment:

- **Opportunity for All Grants:** In 2019, the Starbucks Foundation awarded \$1.4 million in “Opportunity for All” grants to 63 programs and organizations that create job and training opportunities for the systematically disadvantaged.<sup>40</sup> Since the program launched in 2017, the Starbucks Foundation has provided a total of \$4.1 million in Opportunity for All grants.<sup>41</sup>
- **Neighborhood Grants:** Since September 2019, the Starbucks Foundation has awarded more than 1,000 Neighborhood Grants totaling more than \$1 million to local nonprofit organizations nominated by Store Managers across the U.S. and Canada.<sup>42</sup> This new program creates local impact and empowers store partners to strengthen relationships with local nonprofit organizations.
- **Metro Support Strategy Grants:** As noted above, the Starbucks Foundation will support partnerships with local community organizations as part of the Metro Support Strategy.

Another initiative, not connected to the Starbucks Foundation, is Starbucks’ investment in Chicago Community Development Financial Institutions (“CDFIs”). In the 2019 Report, we recommended that Starbucks build upon previous efforts to provide access to capital through CDFIs by exploring opportunities to provide capital to small minority-owned businesses in local communities.<sup>43</sup>

Consistent with that recommendation, in October 2019, Starbucks announced that it will invest

\$10 million in four community lenders “to drive economic opportunity in Chicago.”<sup>44</sup> According to the Company, this “investment is expected to help finance more than 500 loans.”<sup>45</sup>

“[Store manager] Jillian Rudzki nominated the Women’s Center of Wake County at LE19, and they were awarded a Neighborhood Grant from The Starbucks Foundation! The team there has been so great to work with, as are the clients we have served lunches and Thanksgiving dinner to. The grant will support their community housing program, the first of its kind in North Carolina, and their community garden, which provides food for the women and a mental health benefit by spending time in nature. Thanks to our Women’s Impact Network sisters and allies for their support today. This is what partnership looks like!”

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*Dana H. T., district manager, Durham, NC*

“I applaud Starbucks for their commitment of corporate citizenship and efforts to strengthen the communities in which they serve. Chicago’s own relationship with Starbucks stretches over three decades, and we are incredibly excited to continue that partnership well into the future, through the 200 new jobs created in the beautiful new Reserve Roastery, as well as across our neighborhoods that aligns to our new INVEST South/West initiative, as we work together to drive investment and access to opportunity for every one of our city’s residents and families.”

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*Lori. E. Lightfoot, Mayor, Chicago, IL*

### *Expanding Military Family Stores*

During the last year, Starbucks has expanded its efforts to designate certain stores to support military families. As described in the 2019 Report, many veterans and military spouses work as partners in these stores, wearing aprons embroidered with the American flag, the partner’s name, and their military affiliation.<sup>46</sup> Military Family Stores partner with local nonprofits to provide services for veterans and their families.<sup>47</sup> When Starbucks designates a Military Family Store, Starbucks and the Starbucks Foundation fund local nonprofits to support military families in areas of need. Starbucks is on track to meet its commitment to open 132 Military Family Stores by 2022.<sup>48</sup>

### *Opening Third and Fourth Signing Stores Globally*

As part of its ongoing commitment to accessibility, inclusion, and diversity, Starbucks has opened additional Signing Stores—each outside of the United States—in Guangzhou, China and Penang, Malaysia.<sup>49</sup> Starbucks opened its first Signing Store in Kuala Lumpur, Malaysia, in 2016 and its second Signing Store in Washington, DC, in 2018.<sup>50</sup> Partners who work in a Signing Store are fluent or have been trained in Sign Language (American, Chinese, or Malaysian), which helps enhance the customer experience for the deaf and hard of hearing.<sup>51</sup> Signing Stores also provide

employment and career opportunities for the deaf and hard of hearing, and serve as a Third Place for community events and celebrations of deaf culture.<sup>52</sup>

## Updates on Recommendations to Advance Community Engagement

2019 Report Recommendation	2020 Progress
<p><i>Community Stores</i></p> <p>Continue the Community Stores initiative and expand it as appropriate.</p>	<ul style="list-style-type: none"> <li>■ In FY20 three new Community Stores will open in Prince George’s County, MD; Anacostia, DC; and Los Angeles, CA. Starbucks has set an ambitious goal to expand the number of Community Stores from 15 to 100 by the end of 2025.</li> </ul>
<p><i>Partnerships with Community Organizations</i></p> <p>Continue to identify opportunities for partnerships with community organizations to deepen the ties between Starbucks’ stores, its partners, and the communities they serve.</p>	<ul style="list-style-type: none"> <li>■ Starbucks’ Metro Strategy is designed to use corporate sponsorships and Foundation grants to support government affairs and social impact activities, such as building relationships with local stakeholders and providing community-based resources. A critical component of this effort is Starbucks’ outreach worker program in cooperation with UWW. This program is designed to provide additional resources to partners who must manage stores in environments where there are large numbers of customers experiencing homelessness, active addiction, or mental illness.</li> <li>■ <b>Starbucks Foundation Service Fellows:</b> In partnership with Points of Light, the world’s largest volunteer service organization, Starbucks launched its pilot service fellows program with 36 partners in thirteen cities in 2018.<sup>53</sup> The program is designed to build capacity and local partnerships through Starbucks partners who work 20 hours in their stores and 20 hours with a Points of Light affiliate in their community each week.<sup>54</sup> In 2019, Starbucks launched the program for 100 partners in 20 cities.<sup>55</sup></li> </ul>

2019 Report Recommendation	2020 Progress
<p><i>Partnerships with Community Organizations (continued)</i></p> <p>Continue to identify opportunities for partnerships with community organizations to deepen the ties between Starbucks’ stores, its partners, and the communities they serve.</p>	<ul style="list-style-type: none"> <li>■ <b>FoodShare Program:</b> In 2016, in partnership with Feeding America, the nation’s largest hunger relief organization, Starbucks launched the FoodShare program with a goal to scale to all eligible company-operated Stores in the U.S.<sup>56</sup> The program was developed and has been optimized with the shared insights of Feeding America and their network of 200 food banks. Store partners prepare eligible unsold food and the meals are delivered to food banks and agencies in participating markets. As of 2020 the Company has expanded the program to 60 percent of its company-operated stores, donating more than 20 million meals.<sup>57</sup> In 2019 Starbucks invested \$1.5 million in Mobile Meal Pantries across 17 Feeding America food banks to bring food to the families who need it most by meeting them where they are.<sup>58</sup></li> <li>■ The Starbucks Foundation continues to invite store managers to nominate local nonprofit organizations in their community for a Neighborhood Grant, a program that creates local impact and empowers store partners to strengthen community relationships.</li> </ul>
<p><i>Partnerships with Retailers</i></p> <p>Consider potential partnerships with other retailers in the industry, focusing on community-engagement initiatives beyond hiring.</p>	<ul style="list-style-type: none"> <li>■ Although not a partnership with another retailer, Starbucks’ partnership with UWW is responsive to this recommendation, and addresses some of the greatest needs of Starbucks partners while addressing the most pressing needs of customers and other community members.</li> </ul>
<p><i>Partnerships with Diverse Institutions</i></p> <p>Starbucks currently has seven licensed and one Company-owned store on Historically Black Colleges and Universities (HBCU) campuses. We recommend that Starbucks continue to explore how the Company can better partner with HBCUs and other diverse institutions, including through the expansion of store presence.</p>	<ul style="list-style-type: none"> <li>■ Starbucks continues to pursue relationships with diverse institutions, including HBCUs.</li> </ul>

2019 Report Recommendation	2020 Progress
<p><i>Direct Community Investment</i></p> <p>To build upon Starbucks’ previous efforts to provide access to capital through Community Development Financial Institutions, explore opportunities to develop an access-to-capital program for small diverse-owned businesses in local communities.</p>	<ul style="list-style-type: none"> <li>■ In October 2019, Starbucks announced that it will invest \$10 million in four community lenders “to drive economic opportunity in Chicago.” According to the Company, this “investment is expected to help finance more than 500 loans.” Some of these loans are going to small businesses and some are going to community projects. In 2020, Starbucks will measure the impact of the Chicago program and may take a similar approach in other cities.</li> </ul>
<p><i>Diverse Suppliers</i></p> <p>Expand the number of smaller diverse suppliers used by Starbucks (generally, those with which Starbucks spends less than \$100,000).</p>	<ul style="list-style-type: none"> <li>■ In 2019, Starbucks increased its spend with diverse suppliers by over \$100 million. During that same time period, Starbucks gained 19 new diverse suppliers but, due to the dynamic nature of Starbucks’ business, lost 26 diverse suppliers. Thirty-two percent of the new diverse suppliers added to the program over that time period were smaller diverse suppliers. Starbucks continues to set year-over-year growth targets, and their sourcing team proactively supports diverse supplier development. Starbucks continues to focus on how it can provide mentoring and other resources to diverse suppliers.</li> </ul>
<p><i>Diverse Suppliers</i></p> <p>Implement the Supplier Diversity next steps, referenced on page 52 of the 2019 Report, and continue to evaluate the sufficiency of existing reporting mechanisms and other forms of accountability.</p>	<ul style="list-style-type: none"> <li>■ In response to Starbucks’ commitment to grow the use of diverse business trades in the building process, in FY19 the Company increased this spend by over 7 percent and doubled the number of diverse contractors in this space. Starbucks is currently conducting a pilot program to evaluate a data analytics solution that tracks diverse spend from its key Tier 1 suppliers. The Company intends to increase impact by working closely with all suppliers to encourage further support of diverse suppliers, thus expanding the first- and second-tier suppliers aligning with the program.</li> </ul>

## **Importance of Leadership**

In the 2019 Report, we noted that Starbucks' efforts to address implicit bias and to promote diversity, equity, and inclusion could succeed only if they remained priorities for Starbucks' leadership.<sup>59</sup> Based on our assessment of Starbucks' work over the last year, it is clear that they have. The initiatives and commitments described in this Progress Report—from Starbucks' enhancements to its trainings and policies, to the hiring of the Company's Global Chief Inclusion and Diversity Officer, to its refinements to hiring and promotion goals, to its continued engagement with law enforcement and community partners like the United Way—reflect the sustained focus of Starbucks' leadership, including from CEO Kevin Johnson and the members of Starbucks' Executive Leadership Team, on these issues.

Equally important, the progress we documented reflects the commitment of thousands of Store Managers, Baristas, and other Starbucks partners, who have invested the time and hard work necessary to make real the Company's aspiration that its stores will be both “public spaces where everyone feels like they belong” and safe environments to work and spend time. LE19 was a powerful example of Starbucks' dedication to this idea, an opportunity for both Starbucks' leadership and for 12,000 of the Company's Store Managers and field leaders to reaffirm their shared faith in Starbucks' Mission and Values and to rededicate themselves to the Company's Mission “[t]o inspire and nurture the human spirit—one person, one cup and one neighborhood at a time.”<sup>60</sup>

Starbucks' commitment is clear. But as we noted in the 2019 Report, addressing the social and political challenges that exist in some of the communities where Starbucks operates will require more than just leadership or innovation from Starbucks. The Company has continued its tradition of sharing publicly what it has learned from its efforts to mitigate bias and promote civil rights. But there is still a need for other corporate and civic actors to join with Starbucks in these important efforts. Starbucks realizes this and continues to seek the partnership of community stakeholders, including law enforcement and nonprofits, elected officials, and the people who live in the neighborhoods around Starbucks cafés.

In addition, Starbucks has continued responding to the priorities identified by its partners, including by providing resources to unsheltered families in Seattle and disaster relief in communities across the United States. The Company has also continued to support civil rights litigation by joining amicus briefs opposing discrimination against the LGBTQ community.

Starbucks has also continued to acknowledge when it has fallen short of the principles embodied in its Mission and Values. Even more important, Starbucks has demonstrated its willingness to apologize and make things right. This capacity for constructive self-assessment is an important element of leadership. Starbucks' willingness to learn from its missteps is one reason (but not the only one) that we remain optimistic that Starbucks' leadership will maintain its focus on promoting equity, diversity, and inclusion at the Company, and that the progress Starbucks made over the last year will continue in the years to come.

## Updates on Starbucks' Progress Toward Continued Leadership

2019 Report Recommendation	2020 Progress
<p>We recommend that Starbucks convene business and public-sector leadership to discuss best practices for eliminating bias and addressing related challenges. This work could feature leading academics in the field, as well as leaders in the civil rights community, and result in cutting-edge best practices and a call to action for other corporations.</p>	<ul style="list-style-type: none"> <li>■ <b>Continued Engagement with Civil Rights Community:</b> In January of this year, Starbucks and The Leadership Conference on Civil &amp; Human Rights convened a roundtable with civil rights leaders to discuss how Starbucks can continue to work toward becoming the Company it aspires to be and demonstrate corporate leadership on key issues related to civil rights, diversity, equity, and inclusion. Civil rights leaders who attended encouraged Starbucks to continue to think about the reach and scalability of its efforts and the communication of those efforts to the public. They also encouraged Starbucks to continue engaging with them as a group as well as individually.</li> <li>■ <b>Continued Advocacy on behalf of Partners:</b> Starbucks also continues to have a voice on issues of importance to its partners. These efforts include signing on to amicus briefs to protect the LGBTQ community from discrimination, supporting DACA recipients, and bringing resources to unsheltered families in Seattle. In addition, Starbucks supports partners following disasters and tragedies, and allowed their stores to serve as places of refuge and healing for the community after the shootings in El Paso and Dayton, and provided opportunities for partners and customers to help those affected by Hurricane Dorian and the bushfires in Australia.</li> <li>■ <b>Open Source:</b> Starbucks has shared publicly various trainings and case studies that focus on anti-bias efforts. For example, Starbucks' "To Be Welcoming" series is free and available to the public. In addition, Starbucks has published "Case Study of Crisis and an Affirmation of Character: The History of Starbucks Coffee Company's Anti-Bias Efforts," and is also featured in a Harvard Business School case study entitled "Starbucks: Reaffirming Commitment to the Third Place Ideal."</li> </ul>

<p><i>(continued)</i></p> <p>We recommend that Starbucks convene business and public-sector leadership to discuss best practices for eliminating bias and addressing related challenges. This work could feature leading academics in the field, as well as leaders in the civil rights community, and result in cutting-edge best practices and a call to action for other corporations.</p>	<ul style="list-style-type: none"><li>■ <b>Pay Equity:</b> On April 2, 2019—Equal Pay Day—Starbucks and 20 other U.S. employers across industries signed a letter pledging to uphold a shared set of equal pay principles—the same global pay equity principles discussed above, and the same principles we cited last year as available on Starbucks’ website as a resource for other organizations. This collective approach to pay equity may help with cross-industry accountability and motivate other companies to achieve pay equity.</li></ul>
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- 1 President John F. Kennedy, Remarks Prepared for Delivery at the Trade Mart in Dallas, TX (November 22, 1963) (undelivered), available at <https://www.jfklibrary.org/archives/other-resources/john-f-kennedy-speeches/dallas-tx-trade-mart-undelivered-19631122>.
- 2 In conducting the evaluation underlying the January 2019 Report, we sought to answer three key questions:
  1. Whether Starbucks' policies, procedures, and initiatives—including their implementation—were sufficient to provide an equitable, nondiscriminatory workplace for partners and third place for customers, consistent with applicable laws and regulations;
  2. Whether any refinements to existing programs or new measures or initiatives would help Starbucks become a more equitable and inclusive company, for the partners and communities it serves, consistent with its Mission and Values; and
  3. Whether the Company has sufficient mechanisms in place to monitor effectiveness going forward.
- 3 COVINGTON & BURLING LLP, A REPORT TO STARBUCKS: AN EXAMINATION OF STARBUCKS' COMMITMENT TO CIVIL RIGHTS, EQUITY, DIVERSITY, AND INCLUSION 4 (2019), <https://stories.starbucks.com/uploads/2019/01/Covington-Report-to-Starbucks-Jan-23-2019.pdf> (hereinafter COVINGTON REPORT TO STARBUCKS).
- 4 *See id.* at 17.
- 5 *See id.* at 27.
- 6 *See* TO BE WELCOMING, <https://tobewelcoming.com/> (last visited Feb. 10, 2020).
- 7 *See id.*
- 8 *See id.*
- 9 *See* COVINGTON REPORT TO STARBUCKS at 17.
- 10 *See* Heidi Peiper, *12,000 Starbucks Partners Gather in Chicago for Leadership Experience*, STARBUCKS CORP.: STORIES & NEWS (Sept. 5, 2019), <https://stories.starbucks.com/stories/2019/12000-starbucks-partners-gather-in-chicago-for-transformative-leadership-experience/>.
- 11 *See Starbucks Commitment to Supporting the Mental Health of Partners*, STARBUCKS CORP.: STORIES & NEWS (Jan. 6, 2020), <https://stories.starbucks.com/stories/2020/starbucks-commitment-to-partners-mental-health/>.
- 12 *See Starbucks Store Managers Gather for Unprecedented Leadership Experience in Chicago*, STARBUCKS CORP.: STARBUCKS STORIES & NEWS (Sept. 5, 2019), <https://stories.starbucks.com/stories/2019/kevin-johnson-sends-a-letter-to-all-partners/>.
- 13 *See Coffee with a Cop*, STARBUCKS CORP.: STARBUCKS STORIES & NEWS, <https://stories.starbucks.com/stories/coffee-with-a-cop/> (last visited Feb. 10, 2020).
- 14 *See, e.g., Starbucks Apologizes, Issues Statement with Kiefer, Okla., Police on 'Unacceptable' Incident*, STARBUCKS CORP.: STARBUCKS STORIES & NEWS (Nov. 29, 2019), <https://stories.starbucks.com/stories/2019/joint-statement-from-starbucks-and-kiefer-okla-police-after-regrettable-incident/>.
- 15 *See* COVINGTON REPORT TO STARBUCKS at 30.
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- 25 *Id.* at 35.
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## Starbucks 2020 Progress Report

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- 33 *See Starbucks Launches Headspace Subscriptions for Partners*, STARBUCKS CORP.: STORIES & NEWS (Jan. 6, 2020), <https://stories.starbucks.com/stories/2020/starbucks-launches-partner-headspace-subscriptions/>.
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## Starbucks 2020 Progress Report

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