

**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

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## 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.

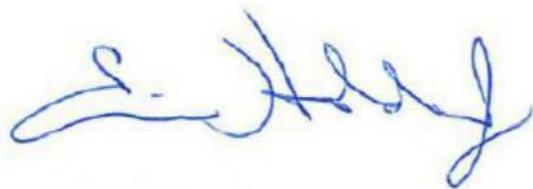
It is important to acknowledge something about Starbucks that has been clear to me from the work I've done: Starbucks is committed to critical self-assessment. Starbucks has demonstrated this repeatedly, following the arrests of Donte Robinson and Rashon Nelson in 2018 and, more recently, after incidents 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.", written in a cursive style.

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.”

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*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.

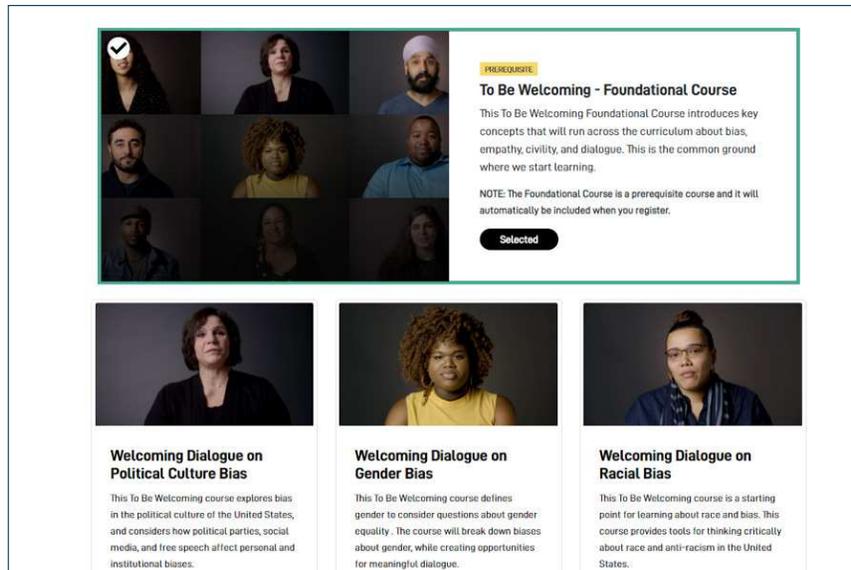


Figure 3 | 13| Landing page of “To Be Welcoming” available at [tobewelcoming.com](http://tobewelcoming.com)

“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</i> (continued)</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.

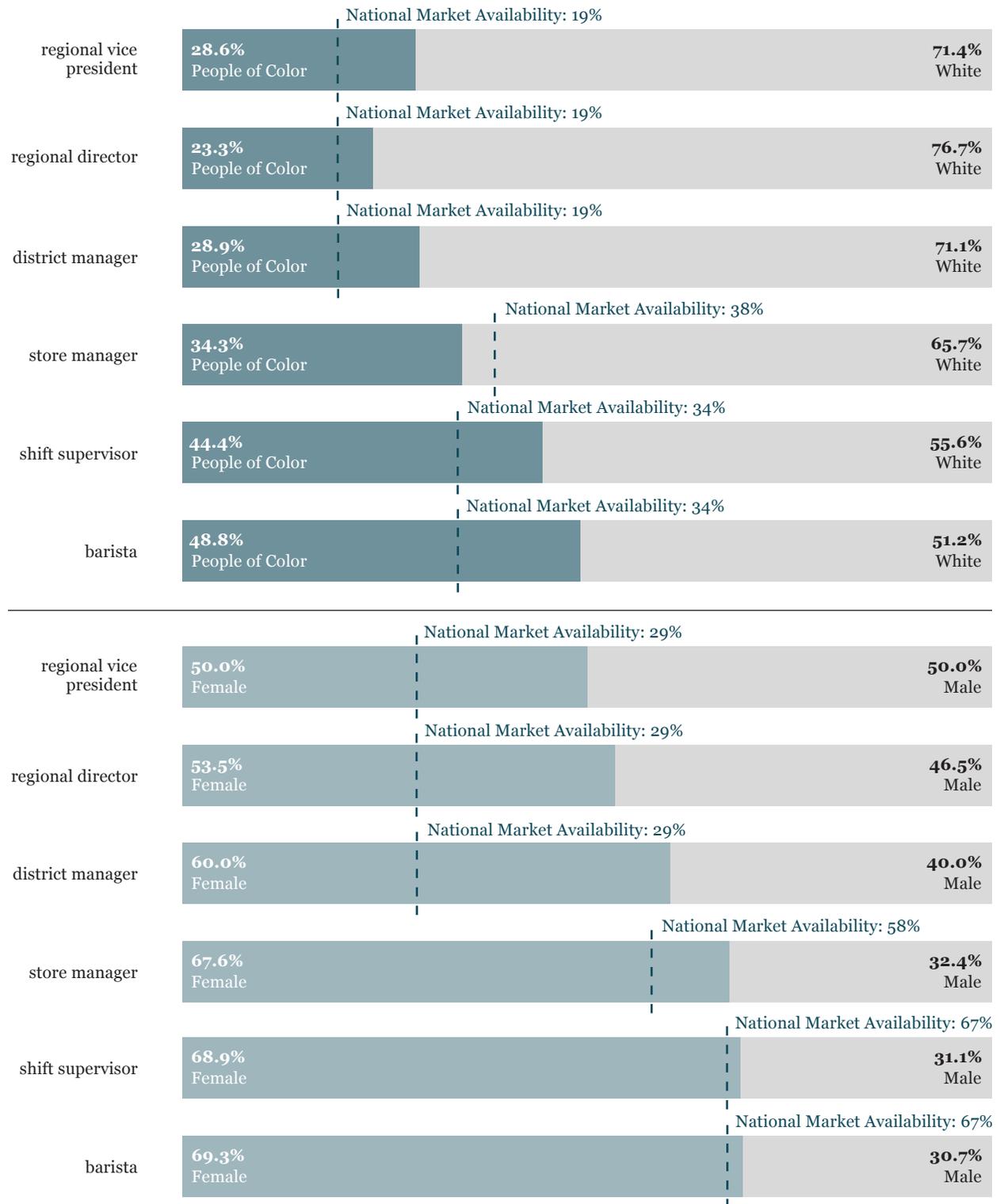
As discussed below, the Company continued its progress towards fostering an internal culture of equity and inclusion over the last year. As recommended in the 2019 Report, Starbucks hired a Chief Inclusion and Diversity Officer. The Company has also broadened its approach to inclusion and diversity in 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>

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U.S. Partners Only

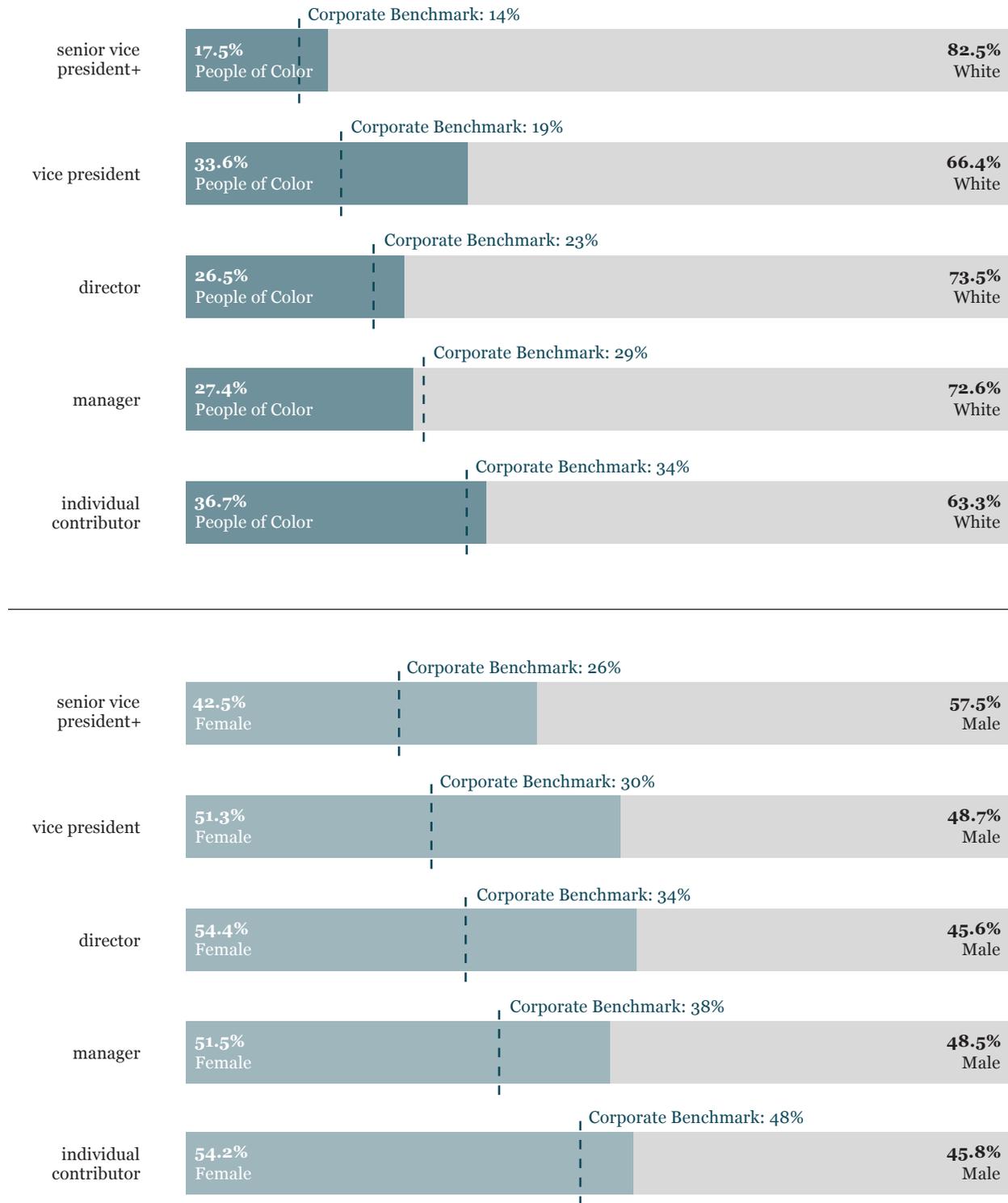
Representation as of 2/9/2020

"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

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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:

<b>Diverse Representation Goals</b>		
<b>Function</b>	<b>Women</b>	<b>People of Color</b>
<b>Retail</b>	55%	40%
<b>Enterprise (Corporate)</b>	50%	30%
<b>Plants/ Distribution Centers</b>	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 commitment to a workplace that embraces diversity and inclusion.</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>

*(continued)*

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.

- **Pay Equity:** 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.

- 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.
- 16 *See* CORPORATE EQUALITY INDEX 2020, HUMAN RIGHTS CAMPAIGN FOUND. 54 (2020), [https://assets2.hrc.org/files/assets/resources/CEI-2020.pdf?\\_ga=2.224034204.62372524.1581468498-1682370659.1580609985](https://assets2.hrc.org/files/assets/resources/CEI-2020.pdf?_ga=2.224034204.62372524.1581468498-1682370659.1580609985).
- 17 *See* 2019 DISABILITY EQUALITY INDEX (DEI) BEST PLACES TO WORK, AM. ASS'N OF PEOPLE WITH DISABILITIES & DISABILITY:IN (2019), <https://disabilityin.org/what-we-do/disability-equality-index/best-places-to-work-2019/>.
- 18 *See* STARBUCKS CORP., 2020 NOTICE OF ANNUAL MEETING OF SHAREHOLDERS AND PROXY STATEMENT 10 (2020), [https://s22.q4cdn.com/869488222/files/doc\\_financials/2019/2020-Proxy-Statement.pdf](https://s22.q4cdn.com/869488222/files/doc_financials/2019/2020-Proxy-Statement.pdf).
- 19 *See* COVINGTON REPORT TO STARBUCKS at 34.
- 20 *See Starbucks Military Commitment*, STARBUCKS CORP., <https://www.starbucks.com/responsibility/community/veterans> (last visited Feb. 10, 2020).
- 21 *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).
- 22 *See* COVINGTON REPORT TO STARBUCKS at 55.
- 23 *See* Amy Chozick, *The Rikers Coffee Academy: Can Teaching Prison Inmates to Make Lattes Give Them a Chance at a Better Future?*, N.Y. TIMES, Dec. 27, 2019, <https://www.nytimes.com/2019/12/27/business/rikers-island-baristas.html>.
- 24 *See* COVINGTON REPORT TO STARBUCKS at 31–32.
- 25 *Id.* at 35.
- 26 The term “company-operated markets” refers to the geographic regions where Starbucks cafés are operated by the Company and not subject to licensee agreements.
- 27 *See Complete Coverage: Starbucks 2019 Annual Meeting of Shareholders*, STARBUCKS CORP.: STORIES & NEWS (Mar. 20, 2019), <https://stories.starbucks.com/stories/2019/coverage-of-starbucks-2019-annual-meeting-of-shareholders/>; Linda Dahlstrom, *How Starbucks is Working to Close Global Gender Pay Gap*, STARBUCKS CORP.: STORIES & NEWS (Mar. 20, 2019), <https://stories.starbucks.com/stories/2019/pay-equity-around-the-globe/>.

- 28 This methodology is consistent with the approach described in a white paper published by Mercer. *See generally* BRIAN LEVINE ET AL., MERCER, *ACHIEVING PAY EQUITY: HOW ANALYTICS HAS EVOLVED TO SUPPORT TRUE PROGRESS* (2018).
- 29 The term “licensed market” refers to the geographic regions in the world where Starbucks cafés are subject to licensee agreements and are not owned by the Company.
- 30 *See TATA Starbucks Achieves 100% Pay Equity*, STARBUCKS CORP.: STORIES & NEWS (Nov. 13, 2019), <https://stories.starbucks.com/press/2019/tata-starbucks-achieves-100-pay-equity/>.
- 31 *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/>.
- 32 *See id.*
- 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/>.
- 34 Previously, Starbucks provided an Adoption Expense Reimbursement for eligible partners who had chosen to adopt a child. Under that program, eligible partners could 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.
- 35 *See* COVINGTON REPORT TO STARBUCKS at 38.
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- 37 *See id.*
- 38 *See id.*
- 39 *See id.*
- 40 *The Starbucks Foundation’s 2019 Opportunity for All Grants*, STARBUCKS CORP.: STORIES & NEWS (Oct. 18, 2019), <https://stories.starbucks.com/press/2019/the-starbucks-foundation-2019-opportunity-for-all-grants/>.
- 41 *Id.*
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- 43 *See* COVINGTON REPORT TO STARBUCKS at 54.
- 44 *Starbucks Invests \$10 Million in Small Business in Chicago*, STARBUCKS CORP.: STORIES & NEWS (Oct. 29, 2019), <https://stories.starbucks.com/press/2019/starbucks-invests-10-million-in-small-business-in-chicago/>.
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