

A Report to

Starbucks

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

January 23, 2019

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I. Executive Summary

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

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

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

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

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

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

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

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

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

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

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

Extraordinary Responses Inspire Hope

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

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

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

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

Listening Sessions

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

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

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

The Way Forward

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

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

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

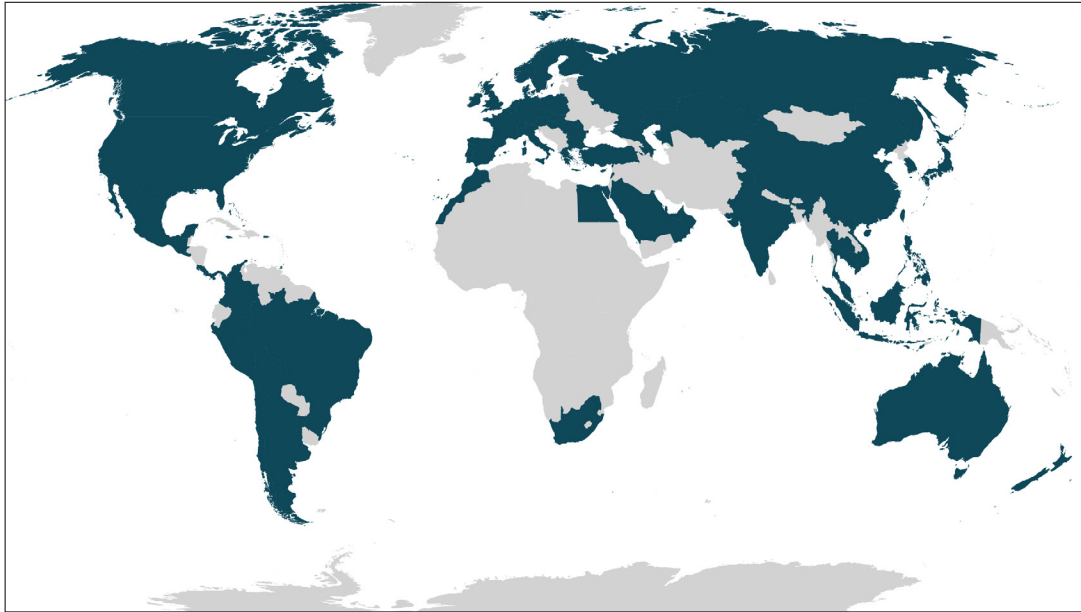
To be clear, racial bias in public accommodations is not simply Starbucks' problem. It is an American problem. Creating lasting change will require a commitment from the entire business community, the government and others in the public sector, and every one of us as individuals to recognize and address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

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

Eric H. Holder, Jr.

III. About Starbucks and This Report

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



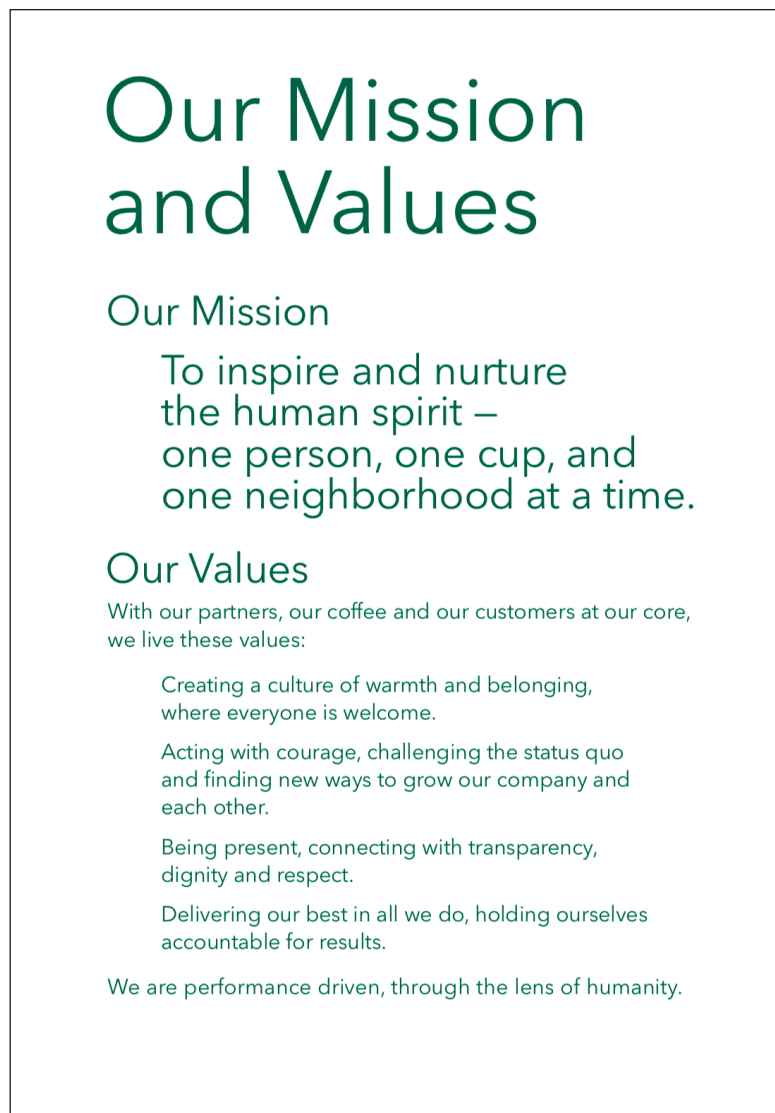
Graphic: Map of countries with Starbucks Stores

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

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

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

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

A graphic with a thin black border containing the text for Starbucks' Mission and Values. The title 'Our Mission and Values' is at the top in a large green font. Below it, 'Our Mission' is followed by the text 'To inspire and nurture the human spirit – one person, one cup, and one neighborhood at a time.' Then 'Our Values' is followed by an introductory sentence and four bullet points of values, and a concluding sentence at the bottom.

Our Mission and Values

Our Mission

To inspire and nurture the human spirit – one person, one cup, and one neighborhood at a time.

Our Values

With our partners, our coffee and our customers at our core, we live these values:

- Creating a culture of warmth and belonging, where everyone is welcome.
- Acting with courage, challenging the status quo and finding new ways to grow our company and each other.
- Being present, connecting with transparency, dignity and respect.
- Delivering our best in all we do, holding ourselves accountable for results.

We are performance driven, through the lens of humanity.

Graphic: Starbucks Mission and Values

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

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

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

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

The arrests thrust Starbucks into the center of America’s national conversation about racism and implicit bias, particularly in the context of retail and public accommodations. In response, Starbucks embarked on a process of reflection, consultation, and assessment to understand how and why the incident in Philadelphia had occurred, given Starbucks’ deep-rooted commitments to equal treatment and the creation of a welcoming third place. Starbucks resolved to identify how it could better equip its partners¹¹ to understand and address implicit bias, and the Company redoubled its internal and external efforts around diversity and inclusion.

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

IV. Engagement with the Civil Rights Community

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


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

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

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

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

Starbucks Post-April 12 Timeline



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

V. Methodology

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

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

To answer these questions, we:

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

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

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

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

Sustaining the Third Place

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

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

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

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

An Empowered Workforce Striving to Provide an Exceptional Customer Experience

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

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

Implementation of New Third Place Policies

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

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

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

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

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

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

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

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

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

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

May 29, 2018, Implicit Bias Training

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Manuals and Onboarding Material

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

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

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

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

Addressing Challenges to Creating the Third Place

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

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

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

Engagement with Law Enforcement to Support the Third Place

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

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

Listening to Partners

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

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

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

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

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

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

Key Recommendations from Listening Sessions

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

Customer Complaints

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

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

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

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

Recommendations to Sustain the Third Place

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

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

Fostering an Internal Culture of Equity and Inclusion

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

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

Valuing Diversity

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

- Starbucks achieved a score of 100 on the Human Rights Campaign's Corporate Equality Index for LGBTQ inclusion each year from 2015 through 2018.⁴⁰
- Starbucks achieved a 100 percent score on the Disability Equality Index each year from 2015 through 2017.⁴¹

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

Partner Base

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

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

Senior Leadership and Board of Directors

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

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

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

These data also reveal, however, that there is room for Starbucks to improve the representation of women and people of color among its leadership, a fact that the Company acknowledges. Starbucks has made strides toward increasing diverse representation in leadership in recent years, particularly for women. In 2015, Starbucks committed to a 50 percent increase in the representation of women and minorities in senior leadership by 2020.⁴⁶ Starbucks achieved its goal for women in 2018 and raised the bar to gender parity, aiming for women to hold 50 percent of the Company’s senior leadership roles by the end of 2020.⁴⁷ Starbucks continues to progress towards the 2020 goal for minorities, having increased minority representation in some leadership categories, **including** among Vice President and Director roles throughout the Company.

Hiring, Promotion, and Development

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

The following initiatives are underway:

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

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

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

Inclusion and Diversity Leader

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

Expanding the Pipeline: Diverse Hiring and Recruitment

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

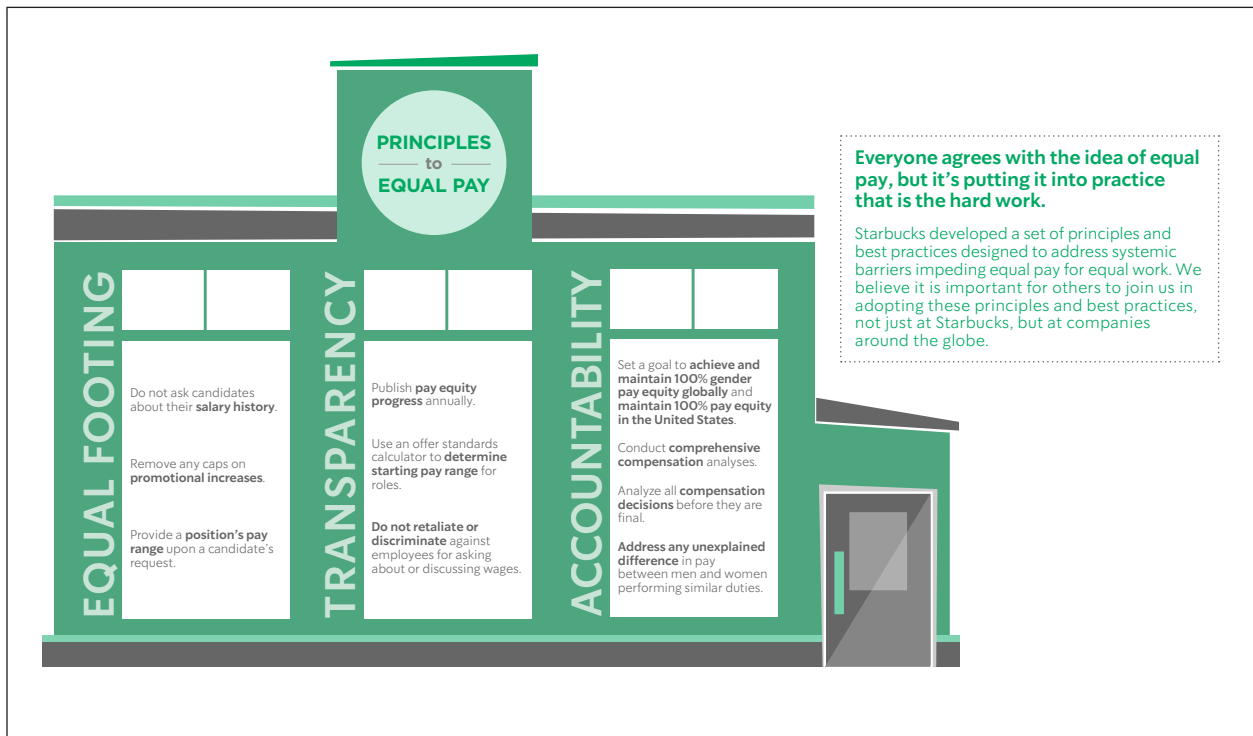
- Since 2013, Starbucks has hired over 21,000 veterans and military spouses and has committed to hiring 25,000 veterans and military spouses by 2025.⁴⁸
- In 2017, Starbucks committed to hiring 10,000 refugees globally by 2022.⁴⁹
- Starbucks has committed to hiring 100,000 Opportunity Youth by 2020, and the Company is on track to meet this goal.⁵⁰ "Opportunity Youth" are the roughly five million Americans ages sixteen to twenty-four who are not working or in school, and who face systemic barriers to both.⁵¹ Since 2015, Starbucks has hired more than 65,000 Opportunity Youth, the majority of whom are people of color. In addition, Starbucks launched a coalition, the 100,000 Opportunities Initiative™. The coalition has committed to hiring one million Opportunity Youth by 2021. In addition, Starbucks currently serves on the board of LeadersUp, an initiative to provide jobs for Opportunity Youth across supply chains in manufacturing, logistics, and other fields.⁵²
- Over the past few years, many states, cities, and counties have enacted "ban the box" or "fair chance" legislation, barring businesses from asking an applicant about his or her criminal history until after an interview has taken place or a conditional job offer has been extended. Recognizing the importance of "second chance" hiring, Starbucks is one of the few public companies that has advocated publicly for expansion of ban the box legislation.⁵³ The Company also has adopted a "fair chance" policy for all U.S. hiring and locations.⁵⁴ This means that Starbucks does not ask about criminal history on job applications and conducts background checks only after an applicant has been given a conditional offer of employment.⁵⁵ The policy also allows individuals to appeal adverse hiring decisions based on criminal

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

Pay Equity

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

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



Graphic: “The Path to Equal Pay” infographic by Starbucks

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

Partner Networks

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

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

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

Starbucks Partner Networks



Access Alliance
Advance a culture of accessibility and disability inclusion at Starbucks



NEXT at Starbucks
Support and empower the next generation of Starbucks leadership



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



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



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



Pride Alliance Network
Strives to cultivate an equitable, dynamic and supportive environment for LGBTQ partners, allies, and customers



Hora del Café
Celebrates the Latino culture, develops partners and positively impacts our customers and communities



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



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



Women's Impact Network
Ignite the power of women to make an impact through partners, allies and community

Accessibility Office

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

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

Recommendations for Fostering an Internal Culture of Equity and Inclusion

Inclusion and Diversity Leader

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

Partner Networks

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

Partner Engagement

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

Anti-Discrimination Policy and Training

Policies Regarding Discrimination and Harassment

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

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

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

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

Other Partner Guide Updates

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

Harassment Prevention Trainings

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

Partner Complaints

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

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

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

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

Recommendations for Fostering an Internal Culture of Equity and Inclusion

Revisions to Starbucks’ Partner Guides

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

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

Training

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

Partner Benefits and Initiatives

Partner Benefits

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

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

Health and Wellness

Healthcare

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

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

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

Partner and Family Support

Parental Leave

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

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

Partner and Family Sick Time

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

Care@Work

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

Education and Opportunity

Starbucks College Achievement Plan (SCAP)

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

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

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

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

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

Pathway to Admission

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

DACA Fee Reimbursement and Immigration Advisory Program

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

Finances and Investments

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

Partner Wages

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

Other Benefits

CUP (Caring Unites Partners)

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

Employee Assistance Program (EAP)

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

Adoption Expense Reimbursement

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

Commuter Benefits

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

Partner Matching Gifts

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

Partner Connection Program

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

Increasing Awareness of Benefits

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

Recommendations for Fostering an Internal Culture of Equity and Inclusion

Partner Benefits

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

Community Engagement

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

Community Stores

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

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

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

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

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

Military Family Stores

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



Graphic:Veteran and Military Spouse Apron

First U.S. Signing Store

As part of its ongoing commitment to inclusion, accessibility, and diversity, Starbucks opened its first U.S. Signing Store in Washington, D.C. in October 2018.⁹² All twenty-five partners are fluent in American Sign Language (ASL) which helps partners connect with the Deaf and hard of hearing community.⁹³ The Signing Store also provides employment and career opportunities for Deaf and hard of hearing people.⁹⁴ Deaf and hard of hearing partners wear ASL aprons embroidered by a Deaf supplier, and hearing partners wear “I Sign” pins.⁹⁵



Graphic:American Sign Language Apron

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

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

Supplier Diversity and Inclusion Program

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

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

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

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

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

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

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

Supplier Social Responsibility

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

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

Creating Economic Impact Beyond the Supply Chain

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

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

Community Service

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

Using Their Voice

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

Recommendations to Advance Community Engagement

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

The Importance of Leadership

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

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

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

Recommendations for Continued Leadership

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

APPENDIX A

Starbucks Third Place Policies and Procedures

WELCOME TO STARBUCKS

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

Use Spaces as Intended

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

Be Considerate of Others

Loud or unreasonable noise is not tolerated.

Communicate with Respect

Obscene, harassing, abusive language or gestures are unacceptable.

Act Responsibly

Violating any law, ordinance or regulation is prohibited.

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

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USE OF THE THIRD PLACE POLICY

Purpose

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

Policy Statement

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

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

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

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

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

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

Application

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

Supporting Information

PROCEDURES

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



Procedure: Addressing Disruptive Behaviors

Quick Reference Guide

COMPANY OPERATED
UPDATED (5/18/18)

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

Examples of when to call 911 include:

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

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

ASSESS

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

NOT USING SPACES AS INTENDED

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

NOT BEING CONSIDERATE OF OTHERS

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

NOT COMMUNICATING WITH RESPECT

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

NOT ACTING RESPONSIBLY

- Shoplifting
- Solicitation
- Panhandling
- Indecent exposure

CONSIDER

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

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

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

TAKE ACTION

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

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

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

AFTER TAKING ACTION

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

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

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Graphic: Starbucks – Procedure – Addressing Disruptive Behaviors

APPENDIX B

Starbucks Revised EEO Statement

Starbucks Is an Equal Employment Opportunity Employer

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

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

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

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

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

- [List.pdf](#); 2016 DISABILITY EQUALITY INDEX (DEI) BEST PLACES TO WORK, AM. ASS'N OF PEOPLE WITH DISABILITIES & U.S. BUS. LEADERSHIP NETWORK, (2016), https://www.disabilityequalityindex.org/sites/default/files/documents/2016_DEI_Best_Places_to_Work_List.pdf; INAUGURAL DISABILITY EQUALITY INDEX (DEI) BEST PLACES TO WORK, AM. ASS'N OF PEOPLE WITH DISABILITIES & U.S. BUS. LEADERSHIP NETWORK, (2015) https://www.disabilityequalityindex.org/sites/default/files/documents/Inaugural_DEI_Best_Places_to_Work_List.pdf.
- 42 *Diversity at Starbucks*, STARBUCKS CORP., <https://www.starbucks.com/responsibility/community/diversity-and-inclusion/aspirations> (last visited Jan. 4, 2019).
- 43 *Diversity at Starbucks*, STARBUCKS CORP., <https://www.starbucks.com/responsibility/community/diversity-and-inclusion/aspirations> (last visited Jan. 4, 2019).
- 44 See BOARD OF DIRECTORS, STARBUCKS CORP., <https://globalassets.starbucks.com/assets/4F21600CB243461AAA654807D185E7E6.pdf>; Kaya Yurieff, The S&P 500 Companies with the Most Diverse Boards, TheStreet (Feb. 7, 2017), <https://www.thestreet.com/story/13970008/1/the-s-amp-p-500-companies-with-the-most-diverse-boards.html>.
- 45 See WOMEN IN THE WORKPLACE, MCKINSEY & CO. 6 (2018).
- 46 Starbucks defines senior leadership in this context as senior vice presidents and above. See *Diversity at Starbucks*, STARBUCKS CORP., <https://www.starbucks.com/responsibility/community/diversity-and-inclusion/aspirations> (last visited Jan. 4, 2019).
- 47 See National Partnership for Women & Families, *Corporate Leader Rosalind Brewer, 2018 National Partnership Gala Dinner*, YOUTUBE (June 8, 2018) <https://www.youtube.com/watch?v=jtVB9PTRhXw>; *Diversity at Starbucks*, STARBUCKS CORP., <https://www.starbucks.com/responsibility/community/diversity-and-inclusion/aspirations> (last visited Jan. 4, 2019).
- 48 *Starbucks Military Commitment*, STARBUCKS CORP., <https://www.starbucks.com/responsibility/community/veterans> (last visited Jan. 4, 2019).
- 49 See *Starbucks Makes Global Commitment to Hire 10,000 Refugees by 2022*, STARBUCKS CORP., <https://www.starbucks.com/responsibility/community/refugee-hiring> (last visited Jan. 4, 2019).
- 50 Starbucks had previously committed in 2015 to hiring 10,000 Opportunity Youth by 2018. See *Opportunity for Youth*, STARBUCKS CORP., <https://www.starbucks.com/responsibility/community/opportunity-youth> (last visited Jan. 4, 2019).
- 51 See *id.*
- 52 See generally LEADERSUP, <https://leadersup.org/> (last visited Jan. 19, 2019).
- 53 See *Letter from Howard Schultz to U.S. Senator Cory Booker*, STARBUCKS CORP.: STARBUCKS NEWSROOM (July 8, 2015), <https://news.starbucks.com/views/letter-from-howard-schultz-to-senator-cory-booker>.
- 54 See *White House Launches the Fair Chance Business Pledge*, Archive of THE WHITE HOUSE OF PRESIDENT BARACK OBAMA (Apr. 11, 2016), <https://obamawhitehouse.archives.gov/the-press-office/2016/04/11/fact-sheet-white-house-launches-fair-chance-business-pledge>.
- 55 *Id.*
- 56 *Cf. White House Launches the Fair Chance Business Pledge*, Archive of THE WHITE HOUSE OF PRESIDENT BARACK OBAMA (Apr. 11, 2016), <https://obamawhitehouse.archives.gov/the-press-office/2016/04/11/fact-sheet-white-house-launches-fair-chance-business-pledge>.
- 57 See *Starbucks Announces 100 Percent Gender, Racial Pay Equity for U.S. Partners, Sets Global Commitment*, STARBUCKS CORP.: STARBUCKS NEWSROOM (Mar. 21, 2018), <https://news.starbucks.com/news/starbucks-pay-equity-for-partners>.
- 58 See *History of Partner Benefits*, STARBUCKS, STARBUCKS CORP.: STARBUCKS NEWSROOM, <https://news.starbucks.com/facts/starbucks-history-of-partner-benefits> (last visited Jan. 19, 2019).
- 59 See *History of Partner Benefits at Starbucks*, STARBUCKS CORP.: STARBUCKS NEWSROOM, <https://news.starbucks.com/facts/starbucks-history-of-partner-benefits> (last visited Jan. 19, 2019).
- 60 See *National Partnership for Women & Families, Corporate Leader Rosalind Brewer, 2018 National Partnership Gala Dinner*, YOUTUBE (June 8, 2018) <https://www.youtube.com/watch?v=jtVB9PTRhXw>; *Diversity at Starbucks*, STARBUCKS CORP., <https://www.starbucks.com/responsibility/community/diversity-and-inclusion/aspirations> (last visited Jan. 4, 2019). In 2016, the Company had a 99.7 percent pay-equity rate.
- 61 See *National Partnership for Women & Families, Corporate Leader Rosalind Brewer, 2018 National Partnership Gala Dinner*, YOUTUBE (June 8, 2018) <https://www.youtube.com/watch?v=jtVB9PTRhXw>; *Diversity at Starbucks*, STARBUCKS CORP., <https://www.starbucks.com/responsibility/community/diversity-and-inclusion/aspirations> (last visited Jan. 4, 2019).
- 62 See *History of Partner Benefits at Starbucks*, STARBUCKS CORP.: STARBUCKS NEWSROOM (July 18, 2016), <https://news.starbucks.com/facts/starbucks-history-of-partner-benefits>.

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- 63 See MCGHEE/IFILL REPORT at 10.
- 64 See Total Rewards, Starbucks Coffee Co. 5 (2018), <https://globalassets.starbucks.com/assets/c753ef7603dd4ffea2ac58a3ee80af23.pdf>.
- 65 See *id.* at 6.
- 66 See *Our Commitment to Comprehensive Health Care*, STARBUCKS CORP.: STARBUCKS NEWSROOM (Aug. 26, 2013), <https://news.starbucks.com/views/health-care>.
- 67 Cf. Linda Dahlstrom, *‘They are Lifesaving’: Starbucks Offers Expanded Benefits for Trans People*, STARBUCKS CORP.: STARBUCKS NEWSROOM (June 25, 2018), <https://news.starbucks.com/news/they-are-lifesaving-starbucks-offers-expanded-benefits-for-trans-people>.
- 68 Cf. *id.*
- 69 See *id.*
- 70 See *Starbucks Parental Leave Benefits*, STARBUCKS CORP.: STARBUCKS NEWSROOM (Mar. 21, 2017), <https://news.starbucks.com/views/starbucks-to-expand-parental-leave-benefits>.
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- 72 Linda Dahlstrom, *New Starbucks Benefit Offers Backup Child and Adult Care*, STARBUCKS CORP.: STARBUCKS NEWSROOM (Oct. 9, 2018), <https://news.starbucks.com/news/new-starbucks-benefit-offers-backup-child-and-adult-care>.
- 73 *Id.*
- 74 See *id.*
- 75 See *id.*
- 76 *Id.*
- 77 See Kevin Johnson & Lucy Helm, *Support for DACA and Dreamers - We Stand with Our Partners*, STARBUCKS CORP.: STARBUCKS NEWSROOM (Sept. 6, 2017), <https://news.starbucks.com/views/support-for-daca-and-dreamers-we-stand-with-our-partners>.
- 78 See *id.*
- 79 See *id.*
- 80 *About Bean Stock*, STARBUCKS COFFEE CO., <https://starbucksbeanstock.com/en-us/welcome-en-us/about-bean-stock-en-us/> (last visited Jan. 4, 2019).
- 81 *Id.*
- 82 See *Starbucks Announces New Investments in Paid Leave, Wage*, STARBUCKS CORP.: STARBUCKS NEWSROOM (Jan. 24, 2018), <https://news.starbucks.com/press-releases/starbucks-announces-new-investments-in-paid-leave-wage>.
- 83 See *id.*
- 84 See generally *Corporate Social Responsibility, What Is the Role and Responsibility of a For-Profit, Public Company?*, STARBUCKS CORP., <https://www.starbucks.com/responsibility> (last visited Jan. 4, 2019).
- 85 See *Starbucks Acquires Remaining Interest in Magic Johnson Enterprises’ Urban Coffee Opportunities (UCO)*, STARBUCKS CORP.: STARBUCKS NEWSROOM (Oct. 21, 2010), <https://news.starbucks.com/news/starbucks-acquires-remaining-interest-in-magic-johnson-enterprises-urban-co>. The formal partnership with Magic Johnson Enterprises ended in 2010. See *id.*
- 86 Deonna Anderson, *Ferguson Baker Goes From Two Hand Mixers to Supplying Starbucks*, NEXT CITY (Oct. 10, 2017), <https://nextcity.org/daily/entry/ferguson-baker-supplying-starbucks-opportunity-stores>.
- 87 See *Starbucks Military Commitment*, STARBUCKS CORP., <https://www.starbucks.com/responsibility/community/veterans> (last visited Jan. 4, 2019).
- 88 See *id.*; see also *Starbucks Stores Honor and Connect Military Communities*, STARBUCKS CORP.: STARBUCKS NEWSROOM (Oct. 8, 2015), <https://news.starbucks.com/news/starbucks-dedicates-new-military-family-stores>.
- 89 See *Starbucks Stores Honor and Connect Military Communities*, STARBUCKS CORP.: STARBUCKS NEWSROOM (Oct. 8, 2015), <https://news.starbucks.com/news/starbucks-dedicates-new-military-family-stores>.
- 90 See *Starbucks Military Commitment*, STARBUCKS CORP., <https://www.starbucks.com/responsibility/community/veterans> (last visited Jan. 4, 2019).

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