

June 8, 2023

Laxman Narasimhan, Chief Executive Officer
Melody Hobson, Board Chair
Jørgen Vig Knudstorp, Chair, Nominating and Corporate Governance Committee
Satya Nadella, Nominating and Corporate Governance Committee
Richard E. Allison, Jr., Nominating and Corporate Governance Committee
Rachel Ruggeri, Chief Financial Officer
Brad Lerman, General Counsel
AJ Jones II, Chief Communications Officer, Public Affairs
Tiffany Willis, Head of Investor Relations

Starbucks Corporation
c/o Brad Lerman, General Counsel
2401 Utah Avenue South, Mailstop EX-4
Seattle, WA 98134

Mr. Narasimhan et al.,

We thank executive leadership for meeting with us on May 9, 2023, to discuss Starbucks' implementation of Proposal 8, which received a 52% vote at Starbucks' 2023 Annual Meeting. We appreciate the willingness of company management to engage with us as the company moves forward in what is hopefully a renewed commitment to shareholder engagement.

We note with concern, however, that we did not have the opportunity to hear from senior management—nor from independent board members—regarding Starbucks' response to its workers who seek to exercise their fundamental rights to form or join a union and to bargain collectively, which is at the heart of Proposal 8. As proponents of the proposal and representatives of long-term Starbucks shareholders, we seek the company's continued and long-term success. We believe that good relationships with shareholders and with workers, including when they choose to organize a union, will be critical to that success.

Proposal 8 called on the Board of Directors to commission and oversee an independent, third-party assessment of Starbucks' adherence to its stated commitment to workers' freedom of association and collective bargaining rights, as contained in the International Labour Organization's (ILO) Core Labor Standards and as explicitly referenced in the company's Global Human Rights Statement. The proposal also stated that the assessment should address management non-interference when employees exercise their right to form or join a trade union, as well as any steps to remedy practices inconsistent with Starbucks' stated commitments.

The majority vote on Proposal 8 demonstrates clearly that there is widespread investor concern over the company's compliance with U.S. labor law as well as international labor standards that it has pledged to uphold.

In our May 9th meeting, Mr. Narasimhan articulated the importance of Starbucks' new mission. This mission includes a promise to partner on a "bridge to a better future." In that spirit, we note that the *relationship* between Starbucks and its employees is a keystone in the bridge to that

future. Significantly, the **shareholder proposal and investor concern are not about whether Starbucks benefits are generous or sufficient**, nor on the value of the CEO working shifts as a barista to build and demonstrate a meaningful relationship with Starbucks' employees, steps which we appreciate and believe are valuable. Rather, investor concern is focused on whether the company respects its workers – be it a majority or minority of workers – that wish to exercise their fundamental rights to form a union. The ways in which the company shows that respect reflects whether the company promises to build and maintain a durable bridge to a better future for workers, for management, and for shareholders.

As Starbucks moves forward with implementation of Proposal 8, we would like to restate our expectations, key areas of concern, and make several requests:

Starbucks Approach to the Assessment

Investor expectations about the rigor, independence, and comprehensiveness for a standalone assessment are high. In its 2023 Proxy Statement and again in its March 3rd Additional Proxy Materials, Starbucks expressly asked shareholders to reject Proposal 8, because Starbucks is undertaking an independent, third-party human rights impact assessment that will include a review of the principles of freedom of association and the right to collectively bargain, actions which it asserted “represent a broader commitment than the shareholder proposal requests.”¹ Shareholders, nonetheless, rejected management's counterproposal and supported Proposal 8, thereby indicating that they want a separate and distinct standalone assessment.

Notwithstanding shareholders' support for Proposal 8, in its subsequent March 29th Form 8-K, Starbucks reiterated its intent to include a review of the principles of freedom of association as part of its third-party human rights impact assessment. It is inconsistent with investor expectations to subsume an assessment of Starbucks' commitment to freedom of association and collective bargaining rights into a broader Human Rights Impact Assessment.

Assessor Selection and Engagement

It is critically important for Starbucks to ensure that the assessment is genuinely independent (i.e. that it is not conducted by a firm with a standing contractual relationship with Starbucks that could be jeopardized by negative findings); that it is performed by an objective firm (i.e. with no union avoidance practice); and that it looks fully at the company's practices in an unbiased manner. The individual and/or entity selected as the assessor must have a demonstrated balanced approach to labor law and expertise in global human and labor rights norms. For the sake of credibility and objectivity, it is crucial that the assessor does not have a union avoidance practice. Individuals and/or entities with union avoidance practices often have pre-determined objectives to prevent worker organizing and will be perceived as unable to objectively determine whether Starbucks has upheld its commitments to international human rights standards, which may exceed U.S. legal standards. For the sake of clarity, those with union avoidance practices often specialize in directing employers' anti-union campaigns under the rubric of remaining “union-free.”

¹ <https://www.sec.gov/Archives/edgar/data/829224/000082922423000020/a20230227-supplementalprox.htm>

Finally, as the shareholder proponents of Proposal 8, we would like the opportunity to meet with the assessor.

The Assessment Should Address Starbucks Commitment to the Globally Recognized Labor Standard of Non-Interference

Starbucks commits to the ILO's Core Labor Standards, which includes core conventions addressing the freedom of association and the recognition of collective bargaining rights. Investors expect Starbucks to adhere to U.S. law as well as globally recognized international human rights standards that respect the rights to collectively bargain and freely associate without interference from the company.

These conventions are considered “enabling rights” because they can foster respect for other human rights like equality, health and safety, and other decent working conditions.²

The ILO Committee on Freedom of Association has declared as General Principles:

- “All appropriate measures should be taken to guarantee that, irrespective of trade union affiliation, trade union rights can be exercised in normal conditions with respect for basic human rights and in a climate free of violence, pressure, fear and threats of any kind;”
- “Workers shall have the right to join organizations of their own choosing without any interference from the employer.”³

In addition, the ILO and the UN Global Compact issued A Guide for Business that refers to non-interference as follows: “Employers should not interfere in workers’ decision to associate, try to influence their decision in any way, or discriminate against either those workers who choose to associate or those who act as their representatives.”⁴

We also observe that Starbucks has aligned itself with the United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, which hold that where national or local law is silent or differs from international human rights standards, Starbucks will follow the higher standards. This means that the assessment must include serious consideration and application of these principles to worker freedom of association and collective bargaining rights.

While expressing its views on unions, Starbucks may not make any direct or indirect threats, create an atmosphere of intimidation or fear, or retaliate against employees exercising their right to freedom of association. Some companies take steps to ensure that their freedom of expression

² https://www.ilo.org/global/publications/ilo-bookstore/order-online/books/WCMS_096122/lang-en/index.htm

³ ILO Committee on Freedom of Association, Compilation of Decisions (2018), paras. 73, 1189, at https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---normes/documents/publication/wcms_632659.pdf

⁴ <https://www.unglobalcompact.org/library/261>

does not violate workers' right to freedom of expression. For instance, Ben and Jerry's recently adopted "Fair Election Principles," which state that if the company holds a meeting with workers on company time to discuss unionization, the union organizing its workers may hold a meeting of equal length on company time.⁵

The ILO Core Labor Standards also include collective bargaining. In addition to its adherence to its commitment to workers', freedom of association, the independent, third party assessment must assess Starbucks' actions after stores have voted to form a union (e.g. have stores been closed, or workers' hours reduced, following a vote to unionize), and whether Starbucks has bargained toward a collective bargaining agreement in good faith.

Scope of Assessment

We strongly encourage the Board and the assessor to define the scope of the assessment to include non-U.S. operations.

Worker Input

To ensure the efficacy and integrity of the assessment, we recommend that the assessor collaborate with a widely respected outside human rights expert to assist in leading the assessment and to provide strategic guidance. Incorporating such expert perspectives will help maintain the objectivity of the assessment and provide valuable global context.

As part of the assessment, it is necessary to integrate the input of a representative sample of workers, including worker organizers. Without the input from and evidence provided by groups and individuals affected by Starbucks' practices and procedures, the assessor would lack the information necessary to properly define the assessment's scope, assess whether Starbucks has realized its commitments to workers' rights including non-interference, and identify any practices in need of remedy. We understand that an employer or agent of the employer may not legally be able to directly engage workers involved in organizing activities as this engagement could be considered intimidation or influence. Thus, we propose that Starbucks engage with entities and organizations that can accurately and confidentially convey the experiences and opinions of affected Starbucks workers, such as the unions representing Starbucks workers and other human rights/labor organizations and experts.

Remedies

As contemplated in the proposal, the assessment should address any steps to remedy practices inconsistent with the company's stated commitments. Because organizing activity has been occurring for over 18 months, an assessment that does not address remedies for any past shortcomings will lack credibility.

⁵ <https://twitter.com/MorePerfectUS/status/1652058879537319937/photo/1>

Similarly, we recommend that the assessment include improved policies, procedures, and practices that will ensure respect for freedom of association and collective bargaining and provide adequate remedy for future shortcomings and harms.

Board Oversight and Engagement

From our discussion, we understand and appreciate that the Nominating and Corporate Governance Committee will oversee the assessment. As long-term shareholders who elect directors to represent our interests, we would expect the Board's independent members to oversee the company's labor practices and policy adherence, a concern that is widely shared by other Starbucks' shareholders. We believe that the Board must provide rigorous oversight of the assessment, including selection of the assessor. Similarly, in view of the majority vote, we foresee that investors will be looking at the company's responsiveness to the shareholder proposal when making their voting decisions with respect to the election of company directors.

As the company moves forward, we ask to establish an ongoing dialogue with you, the company's executives responsible for the assessment, members of the Nominating and Corporate Governance Committee, and Chair of the Board.

Timing and Public Release of Assessment

We note that since the release of its 8-K, the company has apparently shifted its expected timing from the end of the fiscal year to the end of 2023. Please confirm the schedule for the assessment.

Investors are seeking public disclosure on this matter and therefore public disclosure of a standalone third-party assessment at least as fulsome as the company's Civil Rights Assessment Reports. In addition, similar to the company's practice with respect to its Civil Rights Assessments, Starbucks should disclose the full report produced by the assessor.

Thank you again for taking the time to meet with us. We look forward to continued dialogue on these issues with management and the Board. Please do not hesitate to contact Jonas Kron at jkron@trilliuminvest.com to arrange a follow-up discussion.

Sincerely,

Trillium Asset Management, LLC
New York City Comptroller Brad Lander
Shareholder Association for Research & Education
Pensions & Investment Research Consultants