

Q3 2023

CORPORATE ENGAGEMENT PROGRESS REPORT: STARBUCKS

Sector

Consumer discretionary

Focus theme; sub-theme(s)

Inequality; human capital

Related UN Sustainable Development Goal(s)



Engagement activity

Email correspondence following AGM

Responsiveness

Responsive

Holding status (subject to change without notice)

NEI Global Growth Fund

Objective: Ascertain the company’s intentions following the success of a shareholder resolution regarding freedom of association and collective bargaining.

Starbucks responded in Q3 to a letter we sent them as a follow-up to their March AGM, where a shareholder proposal regarding labour practices garnered 52% investor support¹ (including from NEI). The proposal asked the company to conduct an independent assessment of its practices, as employees sought the right of freedom of association and collective bargaining.

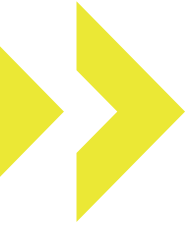
Our analyst team had already flagged Starbucks as stories rolled in about the labour controversies in the lead-up to the AGM. They were facing significant reputational damage that had the potential to erode brand value and negatively impact financial results.

The company had been (and continues to be) accused of anti-union behaviour, and ex-CEO Howard Shultz was called to testify before a U.S. Senate committee regarding the matter. The U.S. National Labor Relations Board found Shultz guilty of violating labour laws,² and the company continues to be investigated by the U.S. Department of Labor.³

The letter we sent informed Starbucks that we had voted in support of the resolution, and included three key follow-up questions: What is the company’s short- and medium-term plan to respond to the shareholder proposal? What are the processes in place to respond to labour concerns beyond what’s required by regulators? What is the structure of the labour relations team intended to lead that area within the company?

In their response, Starbucks provided information that answered two of the three questions, demonstrating to us they are taking concrete steps to address our concerns and their labour issues at large. They have retained an independent assessor to conduct the review, which is being led by a committee of the board—another positive sign. The company said they expect to make public some key takeaways from the assessment by the end of the year. We responded that we were pleased to see the actions taken, and that we look forward to the results.

Next steps: We will review the public disclosures of the company's independent assessment when they are made available and follow-up accordingly.



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¹ Vote result data from Institutional Shareholder Services.

² <https://www.reuters.com/legal/government/ex-starbucks-ceo-schultz-illegally-threatened-union-supporter-nlr-judge-rules-2023-10-09/>

³ <https://www.reuters.com/legal/starbucks-must-disclose-spending-response-union-campaign-judge-rules-2023-10-06/>

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