

FROM ADVOCACY TO AGREEMENT:

Trillium's Long-Term Engagement with Starbucks for Worker Rights



Since unionizing activity emerged at Starbucks Corporation in 2021, Trillium has been engaging the company regarding its commitments to respect international standards for worker rights to organize and collectively bargain. So, we were pleased when in February 2024, Starbucks and Starbucks Workers United reached an agreement to develop a path forward to reach collective bargaining agreements for represented stores and partners and a fair process for workers to organize. In the agreement, Starbucks also gave organized workers the benefits provided to non-organized workers, including participation in credit card tipping. Labor experts have characterized the agreement as having the potential to "be a major development in labor relations in corporate America."

The lead organizer for Workers United said that there were three key components that drove this mutually agreeable accord:

1. A worker-led organizing campaign – not a top-down effort;
2. The reputational damage Starbucks suffered with students, young people, and consumers more generally; and
3. Investor action – specifically the letters, shareholder proposal, and constant engagement by Trillium and other investors; and the dissident board campaign led by the Strategic Organizing Center (SOC Group).

Trillium's engagement with Starbucks on the issue began in late 2021 when we, Parnassus Investments, and other investors representing over \$1.3 trillion in assets sent a letter to Starbucks asking the company to respect the vote to unionize at the stores in Buffalo, NY – the first to attempt to organize - and negotiate in good faith with workers.

After meeting with Starbucks' then-CEO Kevin Johnson in early 2022, Trillium, along with the New York City Comptroller, Pensions & Investment Research Consultants (PIRC), and SHARE (Shareholder Association for Research and Education), organized a \$3.4 trillion investor letter again calling on Starbucks to accept the growing number of worker organizing election results and proceed with good-faith contract negotiations.

Subsequently, after failing to get a positive response from the company, this investor group filed a shareholder proposal in September 2022 asking Starbucks to commission a third-party assessment of its adherence to its own worker rights standards, which are outlined in its Global Human Rights Statement. Our shareholder proposal, which was formally presented at the company 2023 Annual General Meeting by Illinois State Treasurer Michael W. Frerichs, received a 52% vote in favor from shareholders – one of the few majority votes in 2023.

Following this vote, Starbucks agreed to the Assessment as Trillium and the other investors continued to engage the company to help inform and strengthen the Assessment, which was shared publicly in December 2023. Trillium and other proponents of the shareholder proposal were disappointed with the final Assessment and remained concerned with the financial, operational, reputational, legal, and compliance risks for Starbucks. Our concerns were many, but of greatest concern was the lack of worker input. Another notable outcome was Starbucks acknowledgement of profound failures of oversight and governance relating to the company's response to worker organizing.



In January 2024, proponents published an extensive critique of the Assessment. This Assessment and our critique coincided with the SOC's nomination of three labor rights experts to Starbucks' board of directors. SOC withdrew its nominees in February 2024 following the company's agreement with Starbucks Workers United.



The story that these actions tell is that of the consistent and determined advocacy by Trillium and other investors directed at the highest levels of Starbucks' leadership. It tells the story of the power of combining financial and values-oriented concerns to create change and have a positive impact. It shows that investors can take their stewardship responsibilities seriously by investing meaningful effort into making portfolio companies better.

To be sure, the road ahead for Starbucks and its workers is still long and with many opportunities for mistakes and retrenchment by management. It appears that the proverbial cargo ship has begun to make the long-awaited turn – but we are not entirely clear what the new course will be. Trillium will continue speaking with stakeholders and engaging the board and management as the agreement's implementation moves forward.

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