



October 17, 2022

Ms. Mellody Hobson  
Chair of the Board of Directors  
Starbucks Corporation  
2401 Utah Ave. South  
Seattle, WA 98134

**Re: Waste of Corporate Assets/Failure of Internal Controls**

Dear Ms. Hobson,

We write to you in your capacity as Chair of the Board at Starbucks Corporation, on behalf of concerned Starbucks shareholders, customers, and employees. The purpose of this letter is to highlight the mismanagement and inadequate internal controls that have resulted in the Company's intentional and systematic violations of federal civil rights and non-discrimination laws. These violations have caused unlawful waste of the Company assets, and unnecessarily exposed it to potential regulatory and/or Congressional investigations and actions.

The Company's latest SEC Form 10-K, which bears your signature, acknowledges in relevant part that:

Business incidents that erode consumer trust can significantly reduce brand value, potentially trigger boycotts of our stores or result in civil or criminal liability and can have a negative impact on our financial results. The impact of such incidents may be exacerbated if they receive considerable publicity, including rapidly through social or digital media (including for malicious reasons) or result in litigation. Consumer demand for our products and our brand equity could diminish significantly if we, our employees, licensees or other business partners act or are perceived to act in an unethical, illegal, racially-biased way including with respect to the treatment of employees. Additionally, if we fail to comply with laws and regulations [or] take controversial positions or actions our brand value may be diminished.<sup>1</sup>

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<sup>1</sup> Starbucks Corp., 2021 Form 10-K at 12-13 (Nov. 19, 2021) (cleaned up), <https://bit.ly/3CAVGAO>.

Notwithstanding these assurances, in 2020, the Company announced a “commitment” to “advancing social and racial equity (sic).”<sup>2</sup> This “commitment” included a “mentorship program connecting Black, Indigenous and People of Color (BIPOC) partners to senior leaders, beginning with a cohort of svp+ leaders [(Senior Vice Presidents+)] and BIPOC directors in corporate and retail roles in FY21” and “annual Inclusion and Diversity goals based on retention rates and progress toward, achieving BIPOC representation of at least 30% at all corporate levels and at least 40% at all retail and manufacturing roles by 2025.”<sup>3</sup> Then, in January 2022, the Company announced a “Leadership Accelerator Program” limited to “BIPOC partners.”<sup>4</sup> By design, all of these programs limit, segregate, or classify employees in a way that deprives or tends to deprive white and Asian employees of employment opportunities because of their race, color, religion, sex, or national origin, in clear violation of 42 U.S.C. §§ 2000e-2(a)(2), (d), and 42 U.S.C. § 1981. Also, the “Inclusion and Diversity goals (sic)” suggest the Company is practicing unlawful racial balancing and maintains illegal racial quotas.

In truth, the Company’s employment data generally suggest serious and systemic violations of federal civil rights and non-discrimination laws. For example, seventy-one percent of the Company’s employees are female, suggesting that male employees are discriminated against in hiring and promotion. Similarly, the Company brags that its workers are “48.2% BIPOC.” But if this claim is true, then “BIPOC” individuals are significantly *overrepresented* in the Company’s employment pool, necessarily suggesting that the Company’s management has targeted white Americans for invidious racial discrimination.<sup>5</sup>

Accordingly, the empirical evidence strongly suggests that management has infused the Company’s employment practices with an illegal racial double standard. The American Civil Rights Project’s allegation that management has committed the Company “to the flagrant, systematic violation of the Civil Rights Act of 1866 (as amended at the current codification at 42 U.S.C. §1981), Title VII of the Civil Rights Act of 1964 (as amended), and a host of relevant state non-discrimination statutes”<sup>6</sup> appears to be manifestly true. Management’s public response to this allegation was an assertion that it is “not in [the Company’s] best interest”<sup>7</sup> to implement non-

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<sup>2</sup> Starbucks, *Our Commitment to Inclusion, Diversity, and Equity at Starbucks*, (Oct. 14, 2020), <https://bit.ly/3dSSKpC>.

<sup>3</sup> *Id.* “People of color” is a term without a fixed or readily discernable legal meaning.

<sup>4</sup> Starbucks, *Starbucks Broadens Efforts to Advance Racial and Social Equity on Behalf of Partners and Communities*, (Jan. 11, 2022), <https://bit.ly/3CnNOCC>.

<sup>5</sup> Nicholas Jones *et al.*, *Improved Rave and Ethnicity Measures Reveal U.S. Population is Much More Multiracial*, UNITED STATES CENSUS BUREAU (Aug. 12, 2022) <https://bit.ly/3C1AS49>.

<sup>6</sup> Dan Morenoff, *Open Letter on Behalf of Shareholders to Officers and Directors of Starbucks Corporation*, American Civil Rights Project (March 25, 2022), <https://bit.ly/3EbQMM1>.

<sup>7</sup> *National Center for Public Policy Research v. Schultz*, 22-2-02945 (Spokane Super. Ct.); Dan Morenoff, *Starbucks’ Shareholder Sues to Stop Its Civil Rights Violations from Wasting Corporate Assets*, American Civil Rights Project (Aug. 30, 2022), <https://bit.ly/3E3hA0M>.

discriminatory hiring and promotion practices in compliance with our Nation’s civil rights laws. However, management’s position is legally unsupportable and morally indefensible.

Workplace anti-discrimination mandates are an essential and mission-critical regulatory compliance risk. You and the Board, among your other fiduciary obligations, have a duty of oversight and the responsibility to ensure a reasonable board-level system of compliance monitoring and reporting relating to these mandates. *See Marchand v. Barnhill*, 212 A.3d 805, 824 (Del. 2019); *In re Clovis Oncology, Inc. Derivative Litig.*, No. CV 2017 0222-JRS, 2019 WL 4850188, at \*12 (Del. Ch. Oct. 1, 2019).

However, you have failed to appropriately discharge these important duties and stop management’s racist employment practices. Consequently, the Company faces a shareholder derivative action and a heightened risk of expensive and damaging regulatory and Congressional investigations and action.<sup>8</sup> Therefore, to prevent the waste of the Company’s assets, to repair and safeguard the Company’s brand, goodwill, and reputation among its customers, and in fulfillment of your fiduciary duties to the Company and its shareholders to ensure compliance with civil rights laws, we demand that the Board immediately take the following steps.

1. Retain an independent counsel to audit the Company’s employment practices and publicly report on the remedial measures required, if any, to bring the Company into full compliance with all applicable state and Federal non-discrimination laws and regulations.
2. Fully and transparently disclose to the Company’s employees and shareholders, by releasing contemporaneous email and other communications, (a) how and why, precisely, management formulated and implemented its “mentorship program connecting Black, Indigenous and People of Color (BIPOC) partners to senior leaders, beginning with a cohort of svp+ leaders [(Senior Vice Presidents+)] and BIPOC directors in corporate and retail roles in FY21”, its “annual Inclusion and Diversity goals based on retention rates and progress toward, achieving BIPOC representation of at least 30% at all corporate levels and at least 40% at all retail and manufacturing roles by 2025”, and its “Leadership Accelerator Program” limited to “BIPOC partners”; (b) the evidence management relied upon in determining that these programs would create shareholder value; and (c) the legal justification for these programs. Among other things, all communications to or from the Company’s General Counsel and its outside counsel regarding these matters should be made public.

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<sup>8</sup> *Id.*

3. Implement genuinely effective and objective internal controls to prevent the Company from engaging in employment practices that violate non-discrimination and civil rights laws.
4. Identify and remove the person(s) who determined that the Company's best interests are not served by non-discriminatory employment practices.

Thank you in advance for your cooperation.

Sincerely,

/s/ Reed D. Rubinstein

Senior Counselor and Director of Oversight  
and Investigations  
America First Legal Foundation

Cc: Richard E. Allison, Jr., Director  
Andrew Campion, Director  
Isabel Ge Mahe, Director  
Jorgen Vig Knudstorp, Director  
Satya Nadella, Director  
Joshua Cooper Ramo, Director  
Howard Schultz, Director and Interim CEO  
Clara Shih, Director