

Stakeholder Voices

We asked 14 experts from outside the company to provide candid feedback on our report and assess our CSR performance in key areas. See what they have to say.



MARK LEE is ceo of SustainAbility. He is a well-recognized expert in corporate reporting and transparency. He had responsibility for one of the first sustainability reports published in North America (Vancity Savings, 1997), has played advisory and governance roles within a variety of leading reporting bodies, including serving on various GRI committees, and as a long-term member of the AccountAbility Council has reviewed hundreds of reports from around the globe over the course of the last decade, and is very familiar with Starbucks own past reports, especially those published since 2003.

Starbucks and Corporate Social Responsibility

MARK LEE, SustainAbility

1. WHAT ISSUES DO YOU BELIEVE ARE MOST IMPORTANT FOR US TO ADDRESS?

Starbucks has been reporting since 2000 and publishes a comprehensive annual account of its CSR activities. The company undertook a materiality exercise in 2006 which identified Coffee Purchasing Practices, Growth and Expansion, Environmental Impacts, Health and Wellness, and Workplace Practices as the five most material issues for its reporting. This analysis was updated in 2007, at which time these same five priorities were reaffirmed.

Given what appears to have been a reasonable materiality process to arrive at these issues and my knowledge of the company, I broadly support their elevation and the conclusion that they encompass the most material subject matter for Starbucks reporting. This means the critical feedback I have for Starbucks regarding its reporting approach and content pertains more to the relative emphasis of the reporting undertaken.

My concerns and suggestions for improvement are discussed in more detail in my response (below) to questions Starbucks posed regarding areas in which it might improve reporting and the emerging issues which the company ought to consider for the future.

2. WHAT HAVE WE DONE WELL?

Starbucks reporting historically has been best in class among its peers and near best in class among corporate reporters globally. The company's fiscal 2007 report appears to be another strong effort as evinced by the following information found in the report:

- Executive commitment to CSR seems significant; it is particularly good to see “reaffirming our commitment to being a deeply responsible company” listed in the Howard Schultz letter fronting the fiscal 2007 report as one of three “profound experiences” Starbucks is going through at present to renew their “focus on coffee and the customer experience.”
- Starbucks reporting is well-bounded by clearly defined scope and useful industry and organizational context.
- The historic development of and ongoing transparency efforts around Starbucks C.A.F.E. Practices are of particular positive note. I am impressed both that coffee from suppliers approved to participate in C.A.F.E. Practices represented 65 percent of Starbucks fiscal 2007 coffee purchases and by the target to purchase 80 percent of coffee through C.A.F.E. Practices by 2013 while also “extending the program’s reach to areas in Africa and Asia.”
- Starbucks alignment with organizations including GRI and the UNGC is important to stakeholders and to these field-building institutions. The company meaningfully describes how it aligns with and applies the 10 GRI sustainability reporting principles.
- The materiality process used by the company appears comprehensive and represents an important commitment to undertake and maintain.
- Company data and financial information in the CSR Report is relevant and helps readers interpret the CSR information provided by showing how adequately total company operations are covered.

- Starbucks makes a genuine effort to present a CSR business case and explains how CSR decisions do and do not intersect with management and board governance structures. In the wake of significant personnel changes at the beginning of 2008, Starbucks does a reasonable job describing and illustrating current CSR management structures and systems.
- Finally, the report contains ample evidence that the company is deeply and widely admired – most tellingly, consistently so in that it appears on various respected “most admired / best company” lists year after year and also is included in well over a dozen SRI indices and funds. The wide recognition by institutions and organizations expert in such rating is itself a welcome form of assurance for report readers.

3. ARE THERE AREAS IN WHICH WE COULD IMPROVE? ALSO, LOOKING AHEAD, WHAT EMERGING ISSUES DO YOU THINK WE SHOULD BE CONSIDERING?

For all that I do mean that Starbucks CSR reporting (and the performance it reflects) is of high quality in absolute and relative terms, there remain ways in which the company might improve:

- Starbucks report presents information on Starbucks U.S. and Canada company-operated retail and global supply chain operations and states that these areas “represent the majority of Starbucks social, environmental and economic impacts.” Starbucks acknowledges that its data collection systems do not allow reliable CSR performance information to be collected globally and provides some anecdotal information in lieu. This means impacts relating to more than 8,000 of just over 15,000 Starbucks stores are not described, a degree of omission (especially regarding licensees and international operations) which appears material.
- While Starbucks C.A.F.E. Practices constitute a world-class approach to supply chain management, spreading similar approaches to the growing amount of non-coffee sourcing the company undertakes seems to have been slow.
- Although the company does engage stakeholders regularly, the engagements appear transactional and sometimes occur late in processes rather than early enough for stakeholder input to be applied strategically, and for the engagement to serve to develop deeper mutual understanding. (This limit on the quality of engagement seems to apply to Starbucks materiality process. While the process takes into account stakeholder input from various fora, it is not clear that stakeholders are involved in ratification or interpretation of the resulting ranking.)
- Starbucks report notes its five most material issues for reporting as well as four “strategic priorities” for CSR. It explains that the materiality assessment conducted for its reporting “is one important input in the development of our key strategic priorities,” but the material issues and strategic priorities do not align and the gap is not explained.
- CSR management and governance at Starbucks might be due improvement (or at least clearer explanation in reporting): the way in which the Policy Governance Council fits the larger CSR governance structure is unclear; it is surprising that the CSR Executive Committee had as one of two priorities in fiscal 2007 global philanthropic strategy; the way in which CSR issues are treated at board level is opaque; and the explanation of the company’s decision not to develop a human rights policy after a review of the potential need for one is incomplete.

Stemming largely from the above discussion of areas of potential improvement, issues that Starbucks does not cover adequately in its reporting today that deserve more attention in the future include: licensee and international operations; non-food supply chain management; strategic stakeholder engagement; and CSR governance. I also think that the company’s 30,000-store target deserves close, ongoing consideration in the context of the issue of Growth and Expansion identified in Starbucks materiality process. The direct and indirect impacts of such growth (from store footprint to cultural homogenization) will be of concern to many stakeholders at minimum and at worst will meet resistance if not managed with exceptional care. Finally, I think the company ought to consider the evolution of the language of CSR versus Corporate Responsibility / CR and sustainability / sustainable development

and whether “CSR” adequately encompasses the company’s intent and continues to align it appropriately with emerging standards of corporate best practice in this area.

4. HOW WELL HAVE WE DONE AT ENGAGING STAKEHOLDERS AND BEING TRANSPARENT?

As per my more detailed comments above, while Starbucks does consistently engage various stakeholders, those engagements of which I am aware or in which I have participated have struck me as more transactional than strategic and relationship-building, so I urge the company to continue to improve its practice in this area.

As regards transparency, I stand by my assertions above that the company’s reporting is generally excellent and deserving of considerable praise, but also has clear room for improvement along the lines suggested here.

Starbucks Responds: *[Click here](#) to see what Starbucks is doing to address areas for improvement.*



GUILLERMO SABORÍO is director of certification for Eco-LOGICA S.A., one of the third-party verifiers that evaluates suppliers for Starbucks C.A.F.E. Practices program. Guillermo is an agronomist in crop production and holds a master’s degree in agri-business. He has been working on third-party certifications since 1998, and with Starbucks coffee buying guidelines since 2003.

Products: Coffee

GUILLERMO SABORÍO, Eco-LOGICA S.A.

1. GIVEN YOUR EXPERTISE, WHAT ISSUES DO YOU BELIEVE ARE MOST IMPORTANT FOR US TO ADDRESS?

One of the subjects that is most important for a company of the size of Starbucks is the transparency and the differentiation in the pay to the producers from whom you purchase your coffee, and more than that to the producer that has been verified under the C.A.F.E. Practices program, which rewards the production of coffee in a manner that is environmentally friendly and socially responsible. After almost five years of work in verification for this program, I am able to see, in general, a change in the coffee producers that we have verified. For example, producers have more awareness of the impact of coffee farming on the environment, and have changed their crop management practices and adopted other changes, little by little, that improve their crop production processes and the natural resources of the farm.

2. WHAT HAVE WE DONE WELL?

Many things, but among them one of the most important and one that should be valued is the development of long-term relationships with your suppliers and producers, and your consistency during periods of good prices and bad. Another thing that seems to me that you have done well is the commitment of Starbucks to undertake the C.A.F.E. Practices program. C.A.F.E. Practices participation, being a requirement every time in Starbucks decision to buy coffee, demonstrates the social and environmental responsibility that the company wants their suppliers and producers to have. This reflects a moral commitment of the company to the environment and fair trade business practices with the producers and workers involved in the coffee supply chain. This public commitment of the company is very important and positive.

3. ARE THERE AREAS IN WHICH WE COULD IMPROVE?

I think that the direct and indirect results and benefits obtained by the producers participating in C.A.F.E. Practices should be known by the producers and the final consumer. The producers, in general, do not realize the direct benefit they are making in their community and their region by applying the best agricultural practices on their coffee farms. It would be very good if Starbucks were able to measure in some form the benefit and impact of the application of

C.A.F.E. Practices on the environment and in coffee communities.

In terms of C.A.F.E. Practices, the web-based verification platform was a very positive change that immediately improved the processes, and, if it continues improving, it will help the costs of verification decrease considerably, and it helps the decision process. Although the change cost verifiers a lot of additional work initially, the system has improved and in this new crop season the system will be more user-friendly.

4. LOOKING AHEAD, WHAT EMERGING ISSUES DO YOU THINK WE SHOULD BE CONSIDERING? HOW WELL HAVE WE DONE AT ENGAGING STAKEHOLDERS AND BEING TRANSPARENT?

Starbucks should strengthen their direct communication with producers or through their suppliers, above all with the small farmers, explaining in a direct and simple manner who they are and what their biggest concerns are in the social and environmental areas so that they can understand the impact of C.A.F.E. Practices. Starbucks should explain to them their expectations and limitations in a manner that is most understandable to the producer, like the subject of price paid to the producer. Starbucks should print a summary of the CSR Report for producers so they can better understand the company and C.A.F.E. Practices.

Starbucks Responds: [Click here](#) to see what Starbucks is doing to address areas for improvement.



MATT WARNING is an associate professor of economics at the University of Puget Sound in Tacoma, Washington. He has spent over 20 years studying rural communities in Africa and Latin America, most recently focusing on coffee producers in Oaxaca, Mexico. An authority on the economics of fair trade coffee, he has been quoted in a variety of publications including the *New York Times*, Oprah's *O* magazine, the *South China Morning Post*, *SocialFunds.com* and the *Seattle Times*. He was a consulting producer for the PBS documentary "Buyer Be Fair: The Promise of Product Certification" concerning fair trade coffee and certified wood.

Products: Coffee

MATT WARNING, University of Puget Sound

1. WHAT HAVE WE DONE WELL?

Starbucks is clearly increasing its attention to social and environmental concerns in its sourcing decisions, and it is making its assessment methodologies and criteria more transparent for stakeholders in the coffee community and in the public at large. While these trends are encouraging, the CSR report also reveals areas in which Starbucks is falling short of its stated transparency objective.

2. ARE THERE AREAS IN WHICH WE COULD IMPROVE?

My primary recommendation is that online informational and technical appendices be added to the next CSR report to provide interested readers with a more transparent perspective on Starbucks dealings with the people who produce its coffee. Suggested content for these appendices is described below.

3. WHAT ISSUES DO YOU BELIEVE IT IS MOST IMPORTANT FOR US TO ADDRESS?

Increasing Transparency on Prices

In the CSR report, the primary metric we are given to assess the compensation that coffee producers received from Starbucks is the average price the company paid for its coffee from 2002-2007. These average prices are contrasted with the "C" market price during those same years. While it is encouraging to see the significant upward trend in the average price, these numbers obscure much detail and may mislead the reader for the following reasons:

- Averages contain little information in themselves. If we were concerned about whether Starbucks was adequately paying its employees, would the average salary of all employees, including everyone from baristas to Howard Schultz, be useful? We need more information about the distribution of prices paid by Starbucks. What were the lowest and highest prices the company paid for its coffee? Significant purchases at high prices will cancel out significant purchases at low prices.

Recommendation: Starbucks should provide the full distribution of the prices it pays for its coffee, that is, how much coffee was purchased at each price.

- The average price paid by Starbucks is not equal to the average price received by the coffee producers, and the report acknowledges as much. Depending on the sourcing pathway – purchasing direct from the producers, from cooperatives of producers, from brokers, etc. – there can be very few or very many intermediaries in the supply chain between coffee farmers and Starbucks; each intermediary reduces the amount making it to the producers. And while the report states that nearly 95 percent of contracts required transparency to the farmer level, we are only given the price paid to an unnamed Guatemalan producer and the prices received by the producer cooperatives in the Fair Trade Certified™ purchases (from which, it should be noted, the cooperative deducts milling and operational expenses before paying the producers themselves), which account for only 5.7 percent of Starbucks purchases. The inclusion of the Guatemalan example is emblematic of the transparency problem: Rather than offering a systematic accounting, Starbucks provides an anecdote. Neither a name nor a place is provided to enable scrutiny of this example. Is this person who “grew and milled the coffee” a small farmer or a plantation owner (whose workers would have actually “grown” the coffee). Is this an example representative of Starbucks purchases? My understanding is that Starbucks makes extensive use of importers and other intermediaries; this example suggests otherwise. Greater transparency would resolve these questions.

Recommendation (and an alternative to the recommendation above): Starbucks should provide the full distribution of the prices received by producers of its coffee. This would be more meaningful than the listing of prices paid and would not carry with it the same potential strategic and competitive risks involved with making public Starbucks’s internal cost structure.

- The use of the “C” price as a reference price might be misleading to the uninitiated. It seems to suggest that Starbucks is paying much higher than the market price for its coffee and is actively dampening the fluctuations to which coffee producers are otherwise exposed. The reality is that essentially all coffee buyers pay significantly more than the “C” price for the high-quality “specialty” coffee of the type Starbucks purchases. Contracts are typically negotiated as “C” plus a differential. The size of the differential depends on a great many variables, including “objective” quality measures, the region of origin, and whether or not the coffee is certified organic. So, for example, a roaster or importer might expect to pay the “C” price plus 40 cents per pound to obtain a Lake Atitlan Guatemalan organic coffee. These differentials move counter-cyclically with the “C” price: When the “C” rises, the differential falls, and vice versa. The net result is that all buyers purchasing high-quality specialty coffee – not just Starbucks – pay well above the “C” price, and the price they pay varies less than the “C” price. When the report asserts that although the “C” price has risen, “the average price paid by Starbucks is still above the market price,” they are implicitly suggesting that the “C” price is the relevant “market price” for the coffees they buy. It is not. The “C” price plus the industry differential for the specific coffee is the relevant price.

Recommendation: The CSR report should include a more careful and complete description of the pricing of specialty coffees. Make pricing comparisons that include the relevant differentials rather than the “C” price alone.

- Starbucks chose to compare its average purchase price with the “C” price only in the years 2002-2007. The choice of these specific six years is puzzling. As noted in the report, in 2001 the “C” price dipped to its lowest level in 30 years and has only recently recovered. Any company paying a reasonable price during the crisis would appear to be a hero. A much more informative time series would also cover the period from 1993 to 1999, when prices were more in line with historical averages. How did Starbucks average purchase price compare with the “C” price in this earlier period? In addition, during the period 2002-2007, price recovery in the “C” market has meant that nearly all specialty coffee roasters increased the average price they paid for their coffee. No policy initiative was required for Starbucks to increase the average purchase price over this period; market forces were sufficient to bring this about.

Recommendation: Starbucks should provide a longer time series for price comparisons.

Community Support, Model Projects and Transparency in Sourcing

Starbucks should be commended for its creation of important public infrastructure in many coffee producing communities. The company has contributed substantially to the construction of health centers, environmental infrastructure and wildlife conservation projects. In addition, Starbucks has supported the creation of Farmer Support Centers that may be instrumental in producers’ efforts to meet the rising quality demands of the coffee market. While Starbucks critics often contend that producer communities would create these amenities on their own if only they were paid a higher price, this ignores the collective action and “free rider” problems that often undermine local initiatives such as these. Starbucks contributions can thus be important in overcoming these obstacles.

At the same time, however, it is difficult for observers to determine just how meaningful individual projects are from their portrayal in the Starbucks report, and just how representative they are of what Starbucks is doing worldwide. As reported in a recent article in the *Sacramento Bee*, (“Promises and poverty: Starbucks calls its coffee worker-friendly – but in Ethiopia, a day’s pay is a dollar” <http://www.sacbee.com/502/story/393917-p2.html>) Starbucks investment in foot bridges for an Ethiopian producer community was somewhat unremarkable on the ground and seemed to miss the point that the coffee plantation workers the bridges were meant to help were paid wages that nearly guaranteed their continued abject poverty. Likewise, when a colleague visited a Guatemalan coffee community for which Starbucks had funded construction of a health clinic, she was impressed both by the clinic and by the effect of Starbucks C.A.F.E. Practices on local labor and environmental standards. She nonetheless wondered if this was typical of the impact Starbucks has on producer communities or if it was an atypical “showcase” example. (She was, in fact, referred to this community by Starbucks.)

Recommendation: Starbucks should make available a full listing of the sources from which its coffee is purchased. This kind of transparency is increasingly entertained in manufacturing; Starbucks could be a leader in introducing it to its coffee purchases.

Fair Trade Certified™ Coffee

While Starbucks 2007 purchases of 20 million pounds of Fair Trade Certified™ coffee is certainly making a substantial impact on the lives of a great many small-scale coffee producers, it still does not appear that the company is making a very sincere effort in this area. Despite the volume of purchases, Starbucks has only managed to develop a single Fair Trade offering, “Café Estima” (admittedly a step up from its previous offering, the generic “Fair Trade Coffee.”) Meanwhile it has produced four Conservation Coffees and five Fair Trade Certified™ offerings for Seattle’s Best Coffee. It appears that the company is not seeking a strong association between the Starbucks brand and Fair Trade Certified™ coffee.

Starbucks Responds: *[Click here](#) to see what Starbucks is doing to address areas for improvement.*



DANIELE GIOVANNUCCI is director of research for the Committee on Sustainability Assessment (a consortium of 20 global institutions) and a leading expert on various standards such as organic and fair trade. Daniele is the world's most widely published author on the sustainability issues of coffee, and a frequent advisor to governments and international bodies such as the United Nations and the World Bank Group. His books on coffee include "The State of Sustainable Coffee" and "Coffee Markets: New Paradigms in Global Supply and Demand."

Products

DANIELE GIOVANNUCCI, Committee on Sustainability Assessment

1. GIVEN YOUR EXPERTISE, WHAT ISSUES DO YOU BELIEVE ARE MOST IMPORTANT FOR US TO ADDRESS?

The pursuit of more sustainable livelihoods for farmers is one of the most important challenges of our day that takes on a life and death meaning in many developing countries. Although there has been progress, most small and medium farmers still lack a viable level of sustainability. This presents an opportunity for Starbucks to take a partnership role in formulating transparent and measurable sustainability goals – even beyond its C.A.F.E. Practices – that are functionally integrated as part of the day-to-day core business model with its coffee, tea and cacao producers.

2. WHAT HAVE WE DONE WELL?

Starbucks has been instrumental in raising the profile of sustainability issues among both industry and consumers. It has evolved a "new" model of doing business not only by redefining the café and its products as a social construct, but also by integrating a humanistic level of responsibility in their dealings with many of their partners and with their coffee producers. This has created a one-of-a-kind reputational asset; and it stands in sharp contrast to many firms whose outdated business models often perceive their suppliers as another cipher to be squeezed as much as possible.

Starbucks has consistently made commitments to various forms of sustainability at origin. In the late 1990s, I worked on a project to protect fragile biosphere reserves in Mexico. I saw firsthand how Starbucks made costly investments in developing the capacity of small local coops. There and elsewhere, they offered long-term contracts and prices that remained relatively stable – a vital asset for any farmer living from crop to crop. This is the soul of a unique company that grows on a unique value proposition.

3. ARE THERE AREAS IN WHICH WE COULD IMPROVE?

Starbucks has built a powerful business model that is based, in part, on a reputation for fair and sustainable practices. However, the increasing "corporatization" of Starbucks operations in recent years while undoubtedly leading to improvements in the bottom line has also led to the erosion of its reputation among some producers and stakeholders. Some feel they have been marginalized as the business is increasingly focused on profit principles. However, this decline is not inevitable. Starbucks has enormous capacity for innovation and considerable influence in its supply chains to make improvements. There is no reason why it cannot recapture some of that human touch and move into a greater leadership role in sustainability.

4. LOOKING AHEAD, WHAT EMERGING ISSUES DO YOU THINK WE SHOULD BE CONSIDERING?

Producers face the considerable burden of learning to adapt and comply with not just one but with more and multiple standards, including organic, fair trade, Rainforest Alliance, UTZ Certified, etc. – frankly an unsustainable demand on many farmers. Rather than the many individual initiatives, Starbucks can take a guiding role in the evolution of industry-wide sustainability, beyond its own proprietary practices, to encourage sector-wide adoption of universal sustainability approaches that include realistic training and cost-sharing with farmers.

The producers of coffee, tea and cacao are the poorest members of the Starbucks "family" and they have probably benefited least from the firm's overall growth. Unless we choose to make them true partners in growth, smaller farmers will remain as impoverished suppliers of raw materials. Will they be marginalized because they lack the resources and training to meet quality and sustainability standards or will they be integrated into training and support

programs?

5. HOW WELL HAVE WE DONE AT ENGAGING STAKEHOLDERS AND BEING TRANSPARENT?

Transparency and sustainability are intertwined. At several levels, Starbucks has collaborated with stakeholders in advancing sustainable practices, particularly via its industry-leading levels of certified sustainable coffee purchases. It has been faulted for not always making its sustainability activities transparent or available for independent evaluation except to partners of choice. While this is disappointing, it should also be well-credited for more readily engaging in the issues of sustainable coffee supply than any other major firm in the coffee industry.

For more on sustainability in developing countries visit www.dgiovannucci.net.

Starbucks Responds: [Click here](#) to see what Starbucks is doing to address areas for improvement.



Products: Coffee

DAVID BROWNING, TechnoServe

1. GIVEN YOUR EXPERTISE, WHAT ISSUES DO YOU BELIEVE ARE MOST IMPORTANT FOR US TO ADDRESS?

Developing creative ways to bring price hedging tools to smallholder farmers that are most affected and least protected by market volatility.

How cup profiles are tied into different C.A.F.E. Practices supplier classifications (verified, preferred and strategic) and how this affects the decision to purchase coffee from suppliers.

2. WHAT HAVE WE DONE WELL?

Tying a certification program (C.A.F.E. Practices) to an actual value in the market. Taking a proactive leadership role in both coffee and cocoa industry practices development. Consulting the civil sector (NGOs) and soliciting input.

3. ARE THERE AREAS IN WHICH WE COULD IMPROVE?

Providing more feedback on what happens once a farmer group becomes a C.A.F.E. Practices supplier (i.e., controlling expectations on potential sales to Starbucks). Developing creative additional benefits to incent continued support for being a C.A.F.E Practices supplier – particularly in the current price environment.

4. LOOKING AHEAD, WHAT EMERGING ISSUES DO YOU THINK WE SHOULD BE CONSIDERING?

Price risk and working capital for smallholders. Working collaboratively with governments and other stakeholders to identify supply chain bottlenecks that hamper African economic development.

5. HOW WELL HAVE WE DONE AT ENGAGING STAKEHOLDERS AND BEING TRANSPARENT?

The agronomy centers (Farmer Support Centers) at origin have been effective in getting closer to different stakeholders and getting more information out as to how the program works.

Starbucks Responds: [Click here](#) to see what Starbucks is doing to address areas for improvement.



Products: Fair Trade Certified™ Coffee

SARAH PURSELL, Transfair USA

1. GIVEN YOUR EXPERTISE, WHAT ISSUES DO YOU BELIEVE ARE MOST IMPORTANT FOR US TO ADDRESS?

Your current competitive advantage, quality and consumer experience.

2. WHAT HAVE WE DONE WELL?

Starbucks overall support of Fair Trade Certified™ (FTC) across the various international Licensing Initiatives has been very strong. The timely and thorough reporting on roasted product has been excellent. You are open to working with us and have been advocates for open dialogue and idea sharing on both an operational and strategic level.

3. ARE THERE AREAS IN WHICH WE COULD IMPROVE?

It is our hope that Starbucks will pour and promote more Fair Trade Certified™ coffee in its stores. We feel that the U.S. consumer would be attracted to this development and be enthusiastic about the commitment Starbucks would be making to the farming families in the FTC system. We would also like for you to consider looking at the FTC cooperatives you currently source from, and labeling that product as FTC – e.g., Tarrazú in Costa Rica. Lastly, we'd like for you to consider additional single-origin opportunities for FTC product.

4. LOOKING AHEAD, WHAT EMERGING ISSUES DO YOU THINK WE SHOULD BE CONSIDERING?

As competition rises for convenient, specialty coffee, Starbucks needs to continue to differentiate, strive for consistency in quality and be "special" in the eyes of the consumer to strengthen loyalty. We believe a commitment to pouring more Fair Trade Certified™ coffees in its stores and telling the sustainability story that is inherent to Fair Trade may be a way to solidify loyalty to a dynamic, aware consumer. Additionally, by considering Fair Trade Certified™ tea, sugar and cocoa products Starbucks has adopted a sustainability platform crossing multiple categories positively affecting farming families from all parts of the globe.

5. HOW WELL HAVE WE DONE AT ENGAGING STAKEHOLDERS AND BEING TRANSPARENT?

This is an area of opportunity between our organizations. We'd like to see more timely execution of our joint ideas and direct decision makers more thoroughly brought into the discussions.

Starbucks Responds: [Click here](#) to see what Starbucks is doing to address areas for improvement.

SAM FILIACI is the regional director of the National Cooperative Business Association/ Cooperative Business International in Southeast Asia. Sam works with C.A.F.E. Practices and Fair Trade Certified™ coops that supply coffee to Starbucks.

Products: Coffee

SAM FILIACI, National Cooperative Business Association

1. GIVEN YOUR EXPERTISE, WHAT ISSUES DO YOU BELIEVE ARE MOST IMPORTANT FOR US TO ADDRESS?

I think that it's important to take into account that with much higher current international coffee prices, the large amount of emphasis in the report placed upon pricing issues and the international price situation becomes much less critical. Even though there are Fair Trade purchases for example, given the currently stipulated Fairtrade Labelling Organizations (FLO) price levels, all coffee prices are now "fair" to farmers. Indeed, even robusta grade four prices are at levels exceeding those considered as fair by FLO. Thus this becomes less of a critical issue with producers, although long term it will probably not.

Per my paragraph above, I think it would be better to de-emphasize price issues and concentrate on how a producer actually benefits by working with Starbucks outside the price component. It now comes down more to issues of trust, reliability, fairness, mutual benefit, the potential to progress, etc.

2. WHAT HAVE WE DONE WELL?

Once again, in today's context within our coffee origins, Starbucks has been extremely important in motivating farmers to (a) stick with coffee in the bad times; (b) increase their holdings and production, fully confident over the coming years that they will have a reliable marketing partner; and (c) provide them with a strong level of motivation and incentive to continue to place their bets for future family livelihood needs in coffee production.

3. ARE THERE AREAS IN WHICH WE COULD IMPROVE?

Again, considering today's high commodity price environment, we are seeing many farmers questioning the extra costs and hassles of producing higher quality coffee, getting certified in a number of different programs and not really seeing appropriate financial rewards for it due to alternative markets paying similar prices and not requiring such quality and costs.

4. LOOKING AHEAD, WHAT EMERGING ISSUES DO YOU THINK WE SHOULD BE CONSIDERING?

Perhaps important is that under the circumstances described in question three above, I think it would be very good to consider funding a number of small social programs for poor small-holder coffee producers that provide your coffee. The cost of the projects does not have to be high, but they all leave a lasting impression of your care for them over years to come. It appears, at least to us, that this aspect has been de-emphasized over the last several years.

5. HOW WELL HAVE WE DONE AT ENGAGING STAKEHOLDERS AND BEING TRANSPARENT?

Excellent. This is the part where Starbucks far exceeds the performance of any other coffee buyers in the business.

Starbucks Responds: [Click here](#) to see what Starbucks is doing to address areas for improvement.



BAMA ATHREYA is the executive director for the International Labor Rights Fund, a Washington D.C.–based nonprofit advocacy organization. The ILRF promotes worker rights worldwide through research, publications, public education and advocacy related to trade agreements and corporate accountability. She is a cultural anthropologist and received her Ph.D. from the University of Michigan.

Products: Cocoa

BAMA ATHREYA, International Labor Rights Fund

The ILRF's responses to the following questions regarding Starbucks Cocoa Practices are addressed below.

- 1. WHAT ISSUES DO YOU BELIEVE IT IS MOST IMPORTANT FOR US TO ADDRESS?**
- 2. WHAT HAVE WE DONE WELL?**
- 3. ARE THERE AREAS IN WHICH WE COULD IMPROVE?**
- 4. LOOKING AHEAD, WHAT EMERGING ISSUES DO YOU THINK WE SHOULD BE CONSIDERING?**
- 5. HOW WELL HAVE WE DONE AT ENGAGING STAKEHOLDERS AND BEING TRANSPARENT?**

For over twenty years, ILRF has led the fight to eradicate child labor around the world. We have been particularly concerned with the endemic problem of child labor in global commercial agriculture. The International Labour Organization (ILO) estimates that more than 211 million children between the ages of five and 14 work worldwide, and about 70 percent of them are employed in agriculture.

ILRF has been working to end forced and trafficked child labor in cocoa production since 2001, and, in the context of our cocoa campaign work, we have been supportive of the steps Starbucks has taken to address labor rights and other social issues in its cocoa supply. To state the problem briefly: The West African nation of Ivory Coast has long been the world's leading supplier of cocoa, accounting for more than 40 percent of global production. The U.S. Department of State has estimated that more than 109,000 children in Ivory Coast's cocoa industry work under "the worst forms of child labor," and that some 10,000 are victims of human trafficking or enslavement.

In this context, we are particularly heartened to note that the Starbucks pilot audit of its Socially Responsible Cocoa Sourcing (SSRC) program took place in Ivory Coast. By choosing to tackle the problem in the most significant and problematic locale, the company has demonstrated a commitment to go beyond a mere "showcase" program and to test an approach that can be broadly applicable to its supply chain.

ILRF had the opportunity to review and discuss the standard on child labor, which conforms to international norms and best practices on this issue. More to the point, however, we are pleased that the SSRC program apparently goes beyond snapshot monitoring and also deals with root causes of the problem. The low price of cocoa at the farmgate level, whatever the world price may be, is a major factor in the use of child labor. A small raise in farmgate prices for Ivoirean farmers would ensure more stability in the market and increase the ability of farmers to invest in sustainable farming methods as well as worker wages. This is an important step in curbing abusive labor practices. We therefore note with great interest the program's stated commitment to provide access to credit for farmers and farmers' cooperatives. The report is somewhat less clear on the commitment to ensure fair prices for farmers, and we look forward to reporting on the level of premiums received by farmers in the program in next year's report.

Starbucks has incorporated into the SSRC program several best practices for the industry. These include establishing traceability of beans to the farm level; implementation of SSRC guidelines and tracking against defined indicators to the farm level; and a commitment to third-party verification of supplier audits. We recommend that further steps be taken to expand the percentage of cocoa sourced under these guidelines toward 100 percent, and to provide full transparency regarding cocoa origins, to the cooperative level, to consumers. We would

also recommend that the full TechnoServe audit be shared broadly with stakeholders, as there may be much that others in the chocolate industry can learn from this report.

Significant commercial advantages can accrue to a company through the rigorous implementation, throughout its overseas supply chain, of human rights policies. In the cocoa sector, Starbucks continues to demonstrate its leadership in ethical sourcing.

Starbucks Responds: [Click here](#) to see what Starbucks is doing to address areas for improvement.



Society

JULIA CLEVERDON, Business in the Community

1. GIVEN YOUR EXPERTISE, WHAT ISSUES DO YOU BELIEVE ARE MOST IMPORTANT FOR US TO ADDRESS?

BITC would like to see Starbucks focusing effort on the social issues and communities of greatest need. In the UK this includes many issues that you are already tackling:

- Removing barriers to work, for example by improving the employability of young people and disenfranchised sectors of society;
- Raising the aspirations of young people, for example by improving literacy and numeracy of young people; and
- Supporting economic renewal, for example by regenerating communities through economic investment in underserved markets.

The profile of your partners and customers makes your focus on young people very exciting. The potential for Starbucks to contribute to raising aspirations and improving educational attainment is huge. We would like to see Starbucks raise the bar on employee involvement in education, setting challenging targets for society and for the business. Using successful and proven models, like FutureStars in the UK, your partners can relate, inspire and support young people, helping them to achieve their potential.

2. WHAT HAVE WE DONE WELL?

The work you are doing in North America on investment in underserved markets is very exciting. Using your brand to have a positive regenerative impact on an area's economic potential is one of the most powerful examples of social responsibility. We would be delighted to see this translated in other countries.

BITC believes that by identifying the social issues on which you can have the greatest impact, and listening and responding to your communities, you can increase the positive impact of your activities. So we are encouraged to see Starbucks consulting widely and making moves to give greater focus to your community investment strategy. Your foundation allows philanthropy beyond business considerations, and we commend the inclusion of The Starbucks Foundation's report in this document, which should support a better understanding of the Foundation's aims.

You clearly articulate the business case for your CSR activity, demonstrating that CSR is not an "add on" activity for Starbucks, but that it is integrated into the way you do business and is a key element in implementing your Guiding Principles.

3. ARE THERE AREAS IN WHICH WE COULD IMPROVE?

Areas for potential improvement to take your Community Investment to the next level include:

- Disclosure of your approach to management of your community investment work;
- Meeting and exceeding targets for community investment on volunteerism; and
- Evidence of monitoring and measuring the impact, over short and longer term, of the projects, communities and charities in which you invest time, money and resources. The Community Mark is a new model we are using in the UK for companies to do this.

As a leading high street brand, it would be interesting to explore how you could take collaborative action with neighboring businesses, small and large, to work together on social issues and increase the scale of impact your community investment programs make.

4. LOOKING AHEAD, WHAT EMERGING ISSUES DO YOU THINK WE SHOULD BE CONSIDERING?

There will be an increasing focus on the trade-offs between environmental impacts and community investment, especially in regard to global supply chains. Related to this is the issue of sustainable consumption. How companies interface with customers on this issue will be a challenge in the future.

As you stabilize in some markets and grow in others, there will be increased pressure to translate the community investment work you are leading in North America to your new markets. Listening to the needs of these new communities and working in partnership will be the key to successful transferal of good practice.

5. HOW WELL HAVE WE DONE AT ENGAGING STAKEHOLDERS AND BEING TRANSPARENT?

We would be interested to see greater evidence of stakeholder dialogue and the feedback processes you implement leading to strong partnerships in the community. You demonstrate strong global partnerships, for example with CARE, and we would like to see more of your successful local partnerships and the impacts that can be leveraged through this engagement. This would support your moves to increase volunteerism and hit those targets.

Starbucks Responds: [Click here](#) to see what Starbucks is doing to address areas for improvement.



GEOFFREY DENNIS joined CARE International UK as chief executive in April 2004. In 2000, he took up the post as chief executive of Friends of the Elderly, where he took the charity into profit and doubled its size, making it one of the largest elderly care charities in the UK. Before that, he was international director at the British Red Cross for six years and was then promoted to the post of Head of South Asia with the International Federation of the Red Cross.

Society

GEOFFREY DENNIS, CARE International UK

1. GIVEN YOUR EXPERTISE, WHAT ISSUES DO YOU BELIEVE ARE MOST IMPORTANT FOR US TO ADDRESS?

As a humanitarian organization working in some of the world's poorest communities, CARE International UK believes there is a vital role to be played by the private sector in addressing social and environmental impacts in the developing world. In parts of the world such as Latin America, Africa and Asia, we see profound evidence that economic growth in these regions is clearly happening at the exclusion of many millions of people who are living in poverty.

Given this context, I feel that Starbucks, as a global company, has an opportunity to make a bold and positive statement about how you are addressing these types of issues at the level where it counts – that is, at the community level. On a visit to Ethiopia in November last year, I was able to see for myself just how Starbucks funding of the Gewgew Dingete Community Development Project is already starting to impact the lives of people whose livelihoods are so reliant on growing and selling crops.

The “issues” that this project is already addressing – absence of good irrigation systems; lack of knowledge by farmers concerning the harvesting and management of crops; access to microfinance schemes – have been identified by CARE and the community themselves as critical, and should remain a strong focus. However, I believe it is imperative also to continue to better understand – through consultation with communities, farmers and the Ethiopian government – some of the deeper rooted issues that affect coffee farmers in this region, and how a company such as Starbucks can help address them.

2. WHAT HAVE WE DONE WELL?

I was very impressed overall with the scale and breadth of Starbucks contributions to society that were detailed throughout the Society section, and I felt that this section was weighted well between describing both the local and the more international dimensions to your initiatives. I feel Starbucks overall commitment to society, and range of initiatives, is well documented in this section. It makes for engaging reading, and the use of case studies to bring to life some of your experiences works really well.

I also feel the linking back to your core principles as a company offers a compelling statement to others. I think your focus on local communities, and your clear targeting of how Starbucks partners play a critical role in shaping and delivering your community initiatives, provides a very credible framework and direction.

3. ARE THERE AREAS IN WHICH WE COULD IMPROVE?

I believe that companies such as Starbucks should be promoting more proactively your socially responsible practices in order to raise the bar for other companies. You state in the Society section that Starbucks has been told in the past by stakeholders that you do not always communicate your societal impact well, and I think this is something that I would concur with, but which I also see opportunities to improve upon through the relationship you have with an organization such as CARE.

For example, I know myself how Starbucks has funded projects in coffee-growing communities with CARE for more than 15 years now, and how you have helped us reach many thousands of marginalised people around the world through our development programmes. I feel there are opportunities to better communicate your investment through CARE on Starbucks.com and through your in-store communication activities, where in the past there has been relatively little communication of the impact of this partnership. From feedback we have had in the UK, I know how much Starbucks partners, and your wider stakeholders, have found this

partnership extremely engaging and something to which they are fully supportive.

4. LOOKING AHEAD, WHAT EMERGING ISSUES DO YOU THINK WE SHOULD BE CONSIDERING?

I have been extremely pleased with how your support of the Gewgew Dingete Community Development Project in Ethiopia has progressed since its launch last February, and following on from my previous comments I feel there are still further opportunities for this support to be both increased and improved in order to achieve long-term changes for the Gewgew Dingete community.

Looking ahead, and particularly with Starbucks strategy to increase your purchases of coffee from Africa in mind, your responsibilities as a private sector investor span economic, political and social parameters in countries such as Ethiopia. I believe that you need to retain an even greater focus on addressing your overall impact as a company in these areas. Even using these parameters may be a practical way of structuring a report such as this in the future.

A good example of such an “impact” would be the subject of transparency in a company’s purchasing practices. I know from discussions with the Ethical Trading Initiative (ETI) in the UK that this is a key area of their work, and one that many multinational corporations are prioritizing. It is certainly an area that CARE feels to be critical with regard to addressing poverty issues in countries such as Ethiopia.

I would suggest a focus also on Starbucks role as an “ambassador” to other companies around the world in demonstrating both your commitment as well as examples of “best practice” and long-term positive impact in these communities.

In particular, I think there are a number of areas where Starbucks could direct its efforts, including: humanitarian relief; providing microfinance loans, accessible to the smaller and poorer “garden” coffee farmers in Africa; supporting agricultural livelihood schemes; and supporting literacy projects.

5. HOW WELL HAVE WE DONE AT ENGAGING STAKEHOLDERS AND BEING TRANSPARENT?

In my experience, I would say that Starbucks is conducting a good degree of transparency and stakeholder engagement. I would suggest also though that you always look for opportunities to do more. For example, in future CSR reports you could include the views of other stakeholders such as the farmers you purchase from in origin countries. You could also highlight your work in other areas of transparency (as mentioned in my answer to question 4 above) in future reports.

Starbucks Responds: *[Click here](#) to see what Starbucks is doing to address areas for improvement.*



MIKE REA is the president and ceo of Give2Asia, a nonprofit organization established by The Asia Foundation to facilitate personalized U.S.-Asia international philanthropy. Mike helped create Give2Asia in 2001 and has built an organization which has enabled over \$70 million in giving to Asia, and serves a wide range of donors and program interests across Asia – from Afghanistan and Pakistan to China and Korea.

Society

MIKE REA, Give2Asia

1. GIVEN YOUR EXPERTISE, WHAT ISSUES DO YOU BELIEVE ARE MOST IMPORTANT FOR US TO ADDRESS?

I applaud Starbucks for their continued focus on young people, and for their new interest in supporting young social entrepreneurs. The social entrepreneurship movement has demonstrated the capacity for creating tremendous social change, and investment in a new generation of change-makers can have exponential impact. It is also exciting to consider how Starbucks might “serve as a connection point for people interested in engaging with their local communities.” Given your 15,000 stores in 43 countries around the globe, and the website under development, there is an incredible potential for these virtual and actual sites to serve as a critical resource for community change efforts.

Give2Asia’s work with Starbucks has been in identifying and supporting leveraged projects aimed at transforming community access to education and water. In this realm, a key current issue is the impact of the outpouring of millions of migrants from impoverished rural areas to burgeoning urban centers in China. Access to education has been a significant issue for the children of these migrant families. The large numbers of nongovernmental migrant schools which have sprung up for these communities typically lack funding to meet minimum criteria for school construction and educational quality, and provide a second-rate education for students who already lag behind their urban peers in terms of educational preparation. These migrant communities are also having a tremendous environmental impact on China’s cities, and efforts are underway to provide environmental education for these communities.

2. WHAT HAVE WE DONE WELL?

In its work with Give2Asia and other partners highlighted in the report, Starbucks has demonstrated its commitment to philanthropy which addresses issues systematically, supporting solutions which address core causes rather than treating symptoms. In our experience, Starbucks has been a highly engaged donor, pushing for significant impact in the programs they support and seeking to address enduring problems via new and innovative project strategies. I appreciate their sincere attempts to align their efforts across regions, and their sensitivity to local realities and opportunities for change. They demonstrate a sincere commitment to invest in scaled solutions across the vast geography in which they do business.

In China, The Starbucks Foundation funding has been directed at meeting significant community needs via projects that offer important solutions. The China Education Project addresses the significant discrepancy in educational access and quality between rural and urban areas. Starbucks funding has supported efforts to address this need by creating a Rural Teacher Training Program to train teachers and principals, as well as providing more than a thousand teacher scholarships and establishing hundreds of school libraries. Financial support for the Water, Women, Health & Development Project is enabling the development and implementation of a large public education campaign to train rural women about water purification and water conservation in five Chinese provinces. Given that China has an estimated 700 million residents without access to clean drinking water, with demand expected to triple by 2030, this significant public education project provides critical information resources to address this growing problem.

3. ARE THERE AREAS IN WHICH WE COULD IMPROVE?

In the United States, Starbucks is known for its commitment to comprehensive CSR practice of the highest standard that is well-integrated into the organization’s daily business. However, in our experience working with Starbucks in China, partners did not consistently express the same degree of understanding of corporate philanthropy and CSR best practice.

Given Starbucks ongoing growth into new markets, there is a great opportunity to promote a high standard of CSR excellence as an integrated part of this expansion. The fundamental training that is presented to new partners in new areas, which is needed to ensure excellence in store management and the preparation of coffee products, might include an orientation to Starbucks CSR history and approach, thus standardizing the excellence of this practice as well. As the company expands to regions of the world where the arena of CSR is new or growing, Starbucks has the opportunity to provide leadership and set a standard for other businesses to follow.

4. LOOKING AHEAD, WHAT EMERGING ISSUES DO YOU THINK WE SHOULD BE CONSIDERING?

Throughout Asia, environment-related problems are of increasing concern and need urgent attention by the international funding community. China's incredible rate of economic development has depended on a skyrocketing expansion of heavy industry and urbanization, causing a tremendous negative environmental impact. The reliance on coal for two-thirds of its rapidly expanding energy needs, combined with a significant increase in car traffic utilizing low-grade gasoline, has created dangerously high degrees of particulate matter in the air, and air pollution is blamed for hundreds of thousands of deaths annually. As China's robust development continues full steam ahead, its impact beyond its own border, via its contributions to global warming, is of increasing concern to the global community. In fact, the International Energy Agency estimates that China has outstripped the United States to become the leading producer of greenhouse gases this year. Despite a great deal of governmental interest in curbing environmentally damaging pollution, including a mandate for 20 percent decrease in energy use by 2010, all available data indicates that energy dependence and pollution are on the rise.

Polls find that Chinese citizens are highly concerned about local and global environmental challenges, and studies show that energy consumption by the Chinese public could be greatly reduced via the implementation of simple energy-saving strategies. However, public awareness regarding the conservation of energy in daily life remains very low. As a result, many grassroots efforts have sprung up to promote green living in Beijing and other cities. Given Starbucks commitment to environmental concerns, and interest in serving as a connection point for people interested in engaging with their local communities, it seems that there could be an exciting opportunity for promoting community environmental efforts. These efforts might address issues such as household energy conservation, recycling, and community cleanup efforts, thus reducing the overall environmental footprint of these communities. This is also a potential area for leadership by young social entrepreneurs.

5. HOW WELL HAVE WE DONE AT ENGAGING STAKEHOLDERS AND BEING TRANSPARENT?

Starbucks has worked closely with us to support our partnership with the Soong Ching Ling Foundation to provide effective program activities via the China Education Project. A steering committee which included external and internal stakeholders reviewed and provided feedback to the project. The entire program is designed to evolve based on learning from previous activities and feedback from participants. Furthermore, this program also has a local community outreach and partner volunteering component.

For its smaller grant-making activities, Starbucks might consider increased involvement of store employees (partners) in the selection of projects or themes for funding in local communities. Give2Asia has seen this practice promote a significant level of employee engagement and ownership in other corporate efforts.

Starbucks Responds: *[Click here](#) to see what Starbucks is doing to address areas for improvement.*



MARIANNE SMITH EDGE is the owner of MSE & Associates, LLC, a nutrition communication and strategic planning consulting firm focusing on nutrition and wellness issues as well as marketing trends from industry to consumer. Marianne is a licensed dietician and past president of the American Dietetic Association.

Society: Health and Wellness

MARIANNE SMITH EDGE, MSE & Associates, LLC

1. GIVEN YOUR EXPERTISE, WHAT ISSUES DO YOU BELIEVE ARE MOST IMPORTANT FOR US TO ADDRESS?

With the continued introduction of food scoring systems, customers may begin to ask about the “scoring” of products offered by Starbucks. It will be important to look at the nutrient-rich concept (nutrients vs. calories) when evaluating bakery products and all quick service items. There will be a continued need to look at whole grain offerings.

Based on the current environment, customers will probably continue to request organic offerings as well as use of local food products when available. However, it is important to maintain offering conventionally produced items as well as organic since current research does not distinguish the nutritional value of one production process being superior.

2. WHAT HAVE WE DONE WELL?

The most noticeable accomplishment is the modification of your milk standard. I applaud your efforts in switching whole milk to reduced fat as well as the introduction of the Skinny Lattes. Your advertising in the stores about the Skinny Lattes makes it inviting for an individual to order something that is healthy but tastes good. Your efforts in reducing portion sizes of your bakery items are outstanding, as we all need to educate the public on “what really is a portion size.” I also commend the company for establishing nutritional guardrails based on science and the advice of health professionals. The elimination of artificial trans fats in your bakery products is a good example of your commitment.

3. ARE THERE AREAS IN WHICH WE COULD IMPROVE?

Looking at the total caloric profile of bakery items that are labeled reduced fat or sugar-free is important to the customer who is purchasing such an item. Some individuals may think that the item is also low calorie and it fits within their medically prescribed diet profile. Transparency in communicating total calories in all products as the company has done with the Skinny Lattes is an area that could be improved. Continue to work on portion control and increasing the offering of supplemental foods that promote healthy eating amongst your customers in a fashionable way. Starbucks has the opportunity to make “healthy” glamorous!

4. LOOKING AHEAD, WHAT EMERGING ISSUES DO YOU THINK WE SHOULD BE CONSIDERING?

As listed in Question 1, nutrient-rich foods and the continued debate on food scoring systems, whole grains and fiber, and functional foods are issues that need to be addressed. Also, the source and safety of food as well as the total sustainability issue needs to remain on the forefront.

5. HOW WELL HAVE WE DONE AT ENGAGING STAKEHOLDERS AND BEING TRANSPARENT?

As a registered dietitian, I commend you on engaging health professionals prior to your national launch of the Skinny Latte, informing as well as seeking advice. Also, your transparency to the public about making the changes in the milk as well as bakery products shows individuals that reducing calories and fat in a product doesn’t have to reduce its taste.

Starbucks Responds: [Click here](#) to see what Starbucks is doing to address areas for improvement.



RACHEL BECKHARDT is a project analyst in the Corporate Partnerships Program of Environmental Defense, a leading environmental organization that links science, economics, law, and innovative partnerships to create breakthrough solutions to pressing environmental problems. Rachel collaborates with the private and public sectors to leverage new technologies and industry best practices to provide distinct business benefits and produce positive environmental results.

Environment

RACHEL BECKHARDT, Environmental Defense

1. GIVEN YOUR EXPERTISE, WHAT ISSUES DO YOU BELIEVE ARE MOST IMPORTANT FOR US TO ADDRESS?

There are a number of environmental issues facing Starbucks, not only in your everyday retail operations, but across the footprint of the entire organization's supply chain. A strong CSR report will capture not only environmental concerns at the retail level (energy conservation, energy-efficient appliances, product packaging and recycling, LEED/green building issues, human resource management and growth, and waste reduction), but the larger implications of Starbucks efforts to "green" their global supply chain. This includes agricultural issues for coffee, packaging, and food products (pesticide management, soil erosion, water rights), trade concerns, labor, and transportation.

2. WHAT HAVE WE DONE WELL?

The CSR report addresses many of these issues. You have a thorough (if slightly outdated) discussion of your GHG inventory and a good explanation of what is included in it and explanations why you couldn't include others. Your efforts in energy conservation should also be applauded, as your randomized retail operation audit seems to be a rigorous one. By taking an inventory and creating a baseline, you have a solid foundation from which you can investigate energy conservation and carbon reduction opportunities. You've addressed many of our paper and packaging concerns, and we're excited that you're using the recycled fiber content cups.

3. ARE THERE AREAS IN WHICH WE COULD IMPROVE?

There are a few issues that concern me. As a frequent Starbucks customer, I am consistently astounded that baristas continue to double-cup AND use the cardboard sleeve. Your paper reduction gains by the use of 10 percent post-consumer recycled fiber is strongly reduced by the vast amount of waste created by the continual double-cupping practice. As a frequent traveler, I buy Starbucks beverages in retail locations around the country and continue to be astounded that Boston, New York City, San Francisco, Chicago (to name a few recent trips where I returned the second, unused cup) baristas all continue to double-cup and use the corrugated board. This is an area where I strongly urge you to train your employees (partners) that this is a wasteful practice and coffee simply isn't that hot!

Additionally, I'm encouraged to see you address the recycling issue head-on. I'm always disappointed that many of the Starbucks I frequent do not recycle, especially with the glass juice bottles and the plethora of plastic containers (especially in the summertime) thrown in the garbage cans. I realize that recycling efforts are very fragmented city to city, so I hope you will push harder to get real, substantive change toward effective recycling measures. The new LEED office building and roasting plant are great, but I'm left wondering why you weren't able to go for LEED gold or platinum. In the 2008 GHG inventory, I'm encouraged to see that you're going to address global emissions. More current data will be useful, and I'm sure this updated data will be enlightening.

4. LOOKING AHEAD, WHAT EMERGING ISSUES DO YOU THINK WE SHOULD BE CONSIDERING?

If organic and buying local were issues of yesterday, and carbon footprinting is today's concern, tomorrow's emerging issue will be water security. As climate change continues, water will become a scarce resource and companies will need to effectively manage water constraints. This will surely affect your supply chain (from irrigation to the retail operations), and should be on your radar screen.

5. HOW WELL HAVE WE DONE AT ENGAGING STAKEHOLDERS AND BEING TRANSPARENT?

I think you've done a great job of being transparent. My only criticism would be to have had stakeholders read the report before the final version to comment on the actual text before it was too late. While comments on the website are great, the ability to discuss and address content would have been even better.

Starbucks Responds: [Click here](#) to see what Starbucks is doing to address areas for improvement.



Workplace

MICHAEL O. LEAVITT, U.S. Department of Health & Human Services

One of the most important issues facing our nation today is health care. We want all Americans to have access to good quality care. At the same time, we know that good access and high quality of care are threatened unless health care is affordable.

America's businesses need to be at the forefront in achieving these goals. Most Americans acquire their health coverage through their employers. That means businesses, and the health plans they work with, have a special leverage and opportunity. Supporting coverage for their employees is Step One. But equally important, businesses can help employees get high quality and high cost-effectiveness in the health care they receive.

Across the country, there are a number of cooperative efforts underway to achieve higher quality and lower costs for health care. One of these efforts is through Puget Sound Health Alliance in Seattle, where a number of leading corporations, including Starbucks, are working with health care providers and other partners to improve care, reduce costs, and make health care cost and quality information more transparent. I also had the pleasure of visiting with the leadership of Starbucks and other Seattle-based companies to look ahead toward further progress. Early this year, the Puget Sound Alliance was one of 14 collaboratives nationwide to be designated by HHS as Chartered Value Exchanges. As such, they will be part of a national learning network to further improve quality and efficiency at the local level.

Better information, better quality and long-range affordability must all be components of achieving our national health care goals. Corporate leaders who are already in this space need to help bring others there as well. We can achieve the goals of access, quality and affordability – in fact, we need to achieve all three in order to truly achieve any one of them. America's businesses need to take a leading role in their communities, working with physicians, hospitals and other partners to help achieve better care at lower cost for all Americans.

Starbucks Responds: [Click here](#) to see what Starbucks is doing to address areas for improvement.