

## Communist China Audit

### **RESOLVED:**

Shareholders request that, beginning in 2023, Starbucks Corporation report annually to shareholders on the nature and extent to which corporate operations depend on, and are vulnerable to, Communist China, which is a serial human rights violator, a geopolitical threat, and an adversary to the United States. The report should exclude confidential business information but provide shareholders with a sense of the Company's reliance on activities conducted within, and under control of, the Communist Chinese government.

### **Supporting Statement:**

American companies doing business in Communist China is a controversial public policy issue. See, e.g., "Doing business in China is difficult. A clash over human rights is making it harder," April 2, 2021, <https://www.cnn.com/2021/04/02/business/nike-china-western-business-intl-hnk/index.html>.

Starbucks has 5,400 stores in over 200 cities across China, and relies on raw materials, finished products, labor and/or services from entities in the communist nation.

China is an established serial violator of human and political rights.

China is also a hostile adversary of the U.S. for many reasons, including:

- China intends to displace the U.S. as the lone global superpower by 2049;
- The U.S. has committed to defend Taiwan, which China has militaristically asserted is part of its country and may attempt to seize by force;
- U.S.-China relations are tense over a number of issues including China's military expansion; egregious human rights violations; actions related to the COVID pandemic; intellectual property theft; relentless espionage; elimination of freedom in Hong Kong; and environmental pollution.

China has also indicated that it would use its industrial capabilities for strategic purposes against adversaries.

Many Chinese companies – which are ultimately under the control of the Communist government – are vulnerable to the U.S.  *Holding Foreign Companies Accountable Act*, do not adhere to basic auditing standards, and are therefore untrustworthy.

China – and by extension the companies it controls – is also identified in the U.S. State Department's 2022 *Trafficking in Persons Report* as a state sponsor of human trafficking. It is now subject to the *Uyghur Forced Labor Prevention Act*, which imposes strict verification of parts and products imported from China, that they are not generated from slave labor.

Starbucks's extensive ties to China breed reputational risk for the company also. For example, while the company funds groups that promote the interests of homosexual and transgender individuals, the Communist government persistently and vigorously cracks down on those forms of identity within its borders.

A July 2022 joint statement from the leaders of the British and American domestic intelligence agencies warned that the Communist Chinese Party is the greatest threat to the international order. "We consistently see that it's the Chinese government that poses the biggest long-term threat to our economic and national security, and by 'our,' I mean both of our nations, along with our allies in Europe and elsewhere," said FBI Director Christopher Wray.

Given the controversial, if not dangerous, nature of doing business in and with China, shareholders have the right to know the extent to which Starbucks Corporation's business operations depend on Communist China.