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Starbucks Corp. (SBUX)

Annual General Meeting

CORPORATE PARTICIPANTS

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Justin Danhof

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Executive Vice President & President-U.S. company-operated business and Canada, Starbucks Corp.

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Group President-International, Channel Development and Global Coffee & Tea, Starbucks Corp.

Rosalind Gates Brewer

Chief Operating Officer, Group President & Director, Starbucks Corp.

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MANAGEMENT DISCUSSION SECTION

Kevin Johnson

President, Chief Executive Officer & Director, Starbucks Corp.

Well, good morning from Seattle, Washington, and welcome to Starbucks' 28th Annual Meeting of Shareholders. I'm so pleased to have you join this webcast and I want to open by thanking the Starbucks Board of Directors, all of whom are joining us virtually today. And thank you to the Starbucks leadership team and all Starbucks partners from around the world who have joined us as well.

Now if you've attended a Starbucks Annual Shareholder Meeting in [past years] you'll notice immediately, today's meeting is a little different. Typically we host 4,000 people who gather together in a concert hall right here in Seattle, and we celebrate Starbucks partners and highlight our accomplishments from the past year. We announce exciting new initiatives and wonderful new beverage and food offerings. We romance all things coffee, from the farmers who grow the beans, to the baristas who handcraft the beverages. And we share, business-by-business, how we are bringing the Starbucks brand to life.

We celebrate what Starbucks stands for, a company with a mission grounded in humanity and a purpose that goes far beyond the pursuit of profit. We put on an elaborate stage production that typically includes a special musical guest. Well, today, we are all in a very unique moment in time. The world is grappling with a health issue of enormous scale and great human impact, as we navigate COVID-19, and I'm sure each of you are taking actions in the best interest of your family and your community.

At Starbucks, we are a family. We are always thinking of people, of each other, first. It's why we call each other partners and making connections over coffee with customers in the 32,000 communities where we have stores, in the third place, is the reason we exist.

So, this year, this week in particular, it was neither appropriate nor even possible to gather thousands of people together in Seattle and because we all share in this global challenge, every person on this planet, this is a different kind of shareholder meeting with a different agenda.

Now, don't get me wrong. We have much to celebrate from this past year. It was a year of great progress, a year of many successes, and a year that honored the heritage of this great company, while at the same time setting a bold vision for the future of Starbucks. But today, I'm sitting here at the Starbucks support center in Seattle, enjoying a French press of Sumatra coffee, and sharing this webcast with you. And today I have a different agenda, an agenda that speaks to all Starbucks stakeholders. This includes my Starbucks partners, the hundreds of millions of Starbucks customers around the world, the thousands of communities we serve and our loyal shareholders.

For our customers and partners, I want to begin by sharing how we are navigating this global health challenge in our own unique way, staying true to the Starbucks mission and values. Navigating this challenge requires Starbucks partners to make hundreds of real-time decisions each day, in 82 markets around the world, based on three simple principles: First, prioritizing the health and well-being of our partners and the customers we serve. You are our number-one priority; second, partnering with local health officials and governments, as they work to contain the virus. We, together can make a difference; third, showing up – showing up in a positive way for each of the 32,000 communities we are a part of.

We are a responsible member of your community. We prioritize these three principles over everything else, including any near-term economic implications. We do this knowing this situation is temporary and Starbucks is resilient.

Let's take China for example. Our response to the COVID-19 virus in China began in early January. We responded to the outbreak by thoughtfully adapting operations in our stores to protect our partners and customers. Our team in China defined elevated cleaning protocols for stores and leveraged new customer experiences such as contactless pickup and mobile order for pickup or delivery. Customer and partner safety is always our priority and when we had to make hard decisions like closing 80% of our stores in China, we did it without hesitation. We did it to ensure the safety of you, our customers and partners.

Our leadership team in China also ensured Starbucks partners had access to healthcare and were paid sick-time when they showed symptoms or suspected that they had been exposed to the virus. We supported partners who were caring for sick family members. We provided extra insurance to our partners where needed, to support them through this unprecedented time. As the spread of the virus peaked in China and began to show signs of mitigation, the recovery process began.

We thoughtfully reopened stores community by community, with support of local health and government officials and as we reopened these stores in China, we did so with elevated store protocols, to ensure the safety of Starbucks partners and our customers. And as we continue to reopen our stores, we are helping people in every community heal as they deal with the emotional toll this has taken on them. They too are adapting to the realities of what they have been through.

And today, over 90% of Starbucks stores in China are open, under modified hours and conditions, all offering some degree of connection and all allowing partners in China to do what they love: practice their craft and connect with customers over coffee.

Partners in China have demonstrated Starbucks resiliency at its best and I want to recognize Belinda Wong and Leo Tsoi for their leadership, and I want all of our partners in China to know how proud you have made me and every Starbucks partner around the world. You have navigated a challenging and dynamic situation and you have created a model, a model that all Starbucks markets around the world are now leveraging as they respond to this

virus. Thank you for your leadership. Each day, I see positive steps forward in China and I celebrate you. It's because of you, we look to the future with great optimism. We are now navigating the challenges in this country.

And Rossann Williams and her team are doing an incredible job, as people throughout North America are dealing with an acceleration in confirmed cases and adapting their lifestyles to protect their loved ones and mitigate the spread of this virus.

This is why we continue to be transparent with all of our actions. I want you, our customers, to know that we are making decisions to protect you, your family and our partners. In the US and Canada, we implemented elevated cleaning protocols and new experiences in stores that encourage social distancing through a to-go model. We also have temporarily closed stores and reduced operating hours in communities with high clusters of COVID-19 cases, as well as in high social gathering locations. We are caring for our partners with financial support beyond our sick-leave policy for those who are confirmed or even those who may have been exposed and need to self-quarantine.

My message to our shareholders is this: We are confident in our approach because it worked in China and we have a strong balance sheet, great partners and the resolve to get through this and come out stronger because of it. I believe in this company. We take the long-term view and are optimistic about the future.

My message to Starbucks partners and customers is this: We are making decisions, hard decisions that prioritize your health and well-being. We are making these decisions based on science and facts, and we are staying true to our mission, a mission grounded in humanity, to inspire and nurture the human spirit, one person, one cup, one neighborhood at a time.

It was three years ago, Howard Schultz presented me with his personal key to the Pike Place store, a key that he had carried in his pocket for decades, a key that represents my responsibility to honor the heritage of Starbucks, while also boldly reimagining our future. When Howard presented me with this key, he shared a very important piece of wisdom, something that might sound familiar to you.

[Video Presentation]

Kevin Johnson

President, Chief Executive Officer & Director, Starbucks Corp.

This is an unprecedented time, and we are focused on the right priorities. Now, I know we aren't always perfect, but I also know that through this journey we are staying true to our heritage as a company and we have the best interests of our customers and our partners in our hearts, on every step of this journey together. This amplifies the fact that we are a resilient company. We have overcome every challenge we have faced over the past 49 years and yes, we are just one year away from our 50th anniversary.

Last year, I spoke about what it takes to build an enduring company, the emotional connection to a mission, a purpose that goes far beyond the pursuit of profit and resilience, and I want to make one thing very clear. Partners are the heartbeat of Starbucks and I believe they are the reason we are an enduring and a resilient company.

So, as we look to our 50th anniversary and beyond, with Starbucks partners at our core, we are pursuing a bold vision that will modernize Starbucks while staying true to our heritage and what we stand for, a people-positive company that works to uplift partners so they in turn uplift our customers, and the communities we serve. A profit-positive company that responsibly grows our business with focus and discipline. We are redefining what it means to be a commercial enterprise by embracing our role and responsibility in society and humanity. This is reflected

in our people-positive aspiration and we stand for being a planet-positive company, as reflected in our latest announcement around environmental sustainability.

A little story for context. It was a year ago, in the months following the Annual Shareholder Meeting, the leadership team and I were reflecting on our sustainability progress over the past year and the past decade, recognizing several accomplishments and acknowledging several shortcomings. The question before us was this: Are we really serious about this? And if we are, what will we do differently in the future decades? So we set a bold multi-decade aspiration to become a planet-positive company, one that gives more than we take from the planet, and we will use our power of connecting with and convening others, partners, customers other companies, experts in the industry and governments, to make a difference in the world we all share.

So all this together begins to paint our vision for the future, people-positive, profit-positive and planet-positive, the three Ps working in harmony with our Starbucks partners at the center, the heartbeat of Starbucks, creating a different kind of company for the next 50 years.

Now the next 12 months will be full of adventure in what I call, the road to our 50th, where together we will celebrate the 50th Anniversary of the Starbucks Coffee Company. So, a year from now, the resilience we are demonstrating today will be rewarded with excitement and optimism for the future, and we will gather together for the annual meeting and it will be a big show with thousands of people attending, celebrating all that Starbucks stands for, and looking to the future with an attitude of optimism, knowing that Starbucks is resilient, believing in Starbucks as that enduring company, that enduring company that stays true to our heritage, while pursuing a bold vision for the next 50 years.

Now I have the opportunity to introduce Rachel Gonzalez, my partner and our General Counsel, to conduct the official portion of this meeting. But first, I want to leave you all with this closing thought: We are resilient, and our Partners are the heartbeat of Starbucks.

Thank you.

[Video Presentation] (00:16:30- 00:18:12)

Rachel A. Gonzalez

Executive Vice President, General Counsel & Secretary, Starbucks Corp.

Thank you, Kevin.

As a partner, I appreciate your leadership and courage as we navigate through current times and also look to the future of Starbucks. I'd also like to thank our partners, our customers and the public health heroes across the globe, whose dedication, compassion and resilience during these exceptionally challenging times, has been nothing short of inspiring. Because of your commitment to your communities and to each other, I'm confident that we will return to normalcy in due course.

Good morning, shareholders and partners. My name is Rachel Gonzalez. I am Starbucks' General Counsel and Corporate Secretary. It's an honor to present the formal portion of our meeting today. We have received an affidavit signed by Broadridge Financial Solutions that notice of this meeting, along with related proxy and Annual Report materials, was mailed or made available on January 24th, 2020, to Starbucks' shareholders of record as of the close of business on January 10th, 2020, our record date.

A list of shareholders as of the record date is available for inspection by shareholders, using the Registered Shareholder List link found on this webcast page. Based on the affidavit from Broadridge, this meeting is duly called with timely and proper notice. In addition, based on the information provided by Broadridge, a quorum of shareholders is present to conduct our meeting today. Broadridge has appointed [ph] Mr. Andrew Wilcox (00:20:25) as the Inspector of Elections to tabulate the vote. The first order of business is the election of directors as nominated by the board. The nominees are as follows:

Myron E. Ullman, III, our independent board chair and retired Executive Chairman and Chief Executive Officer, J.C. Penney Company; Melody Hobson, our Independent Vice Chair and Co-Chief Executive Officer and President, Ariel Investments; Kevin Johnson, our President and Chief Executive Officer; Rosalind Brewer, our Group President-Americas and Chief Operating Officer; Richard E. Allison Jr., Chief Executive Officer and Director of Domino's Pizza Inc.; Andrew Campion, former Chief Financial Officer and now Chief Operating Officer of Nike Inc.; Mary Dillon, Chief Executive Officer and Director, ULTA Beauty Inc.; Isabel Ge Mahe, Vice President and Managing Director of Greater China, Apple Inc.; Jørgen Vig Knudstorp, Executive Chairman, Lego Brand Group; Satya Nadella, Chief Executive Officer and Director, Microsoft Corporation; Joshua Cooper Ramo, Co-Chief Executive Officer and Vice Chairman, Kissinger Associates; Clara Shih, Chief Executive Officer and Director, Hearsay Systems, Inc. and Javier Teruel, retired Vice Chairman, Colgate-Palmolive Company. The board recommends a vote for each of the nominees.

The second item of business is the approval of an advisory resolution on our executive compensation. The board recommends a vote for this proposal. The third item of business is the ratification of the selection of Deloitte & Touche, LLP, as the company's independent registered public accounting firm for the current fiscal year ending September 27, 2020. The board recommends a vote for this proposal. The fourth and last item of business is the shareholder proposal submitted by the National Center for Public Policy Research regarding equal employment opportunity policy risk reporting.

We will now connect with Mr. Justin Danhof, a representative of The National Center for Public Policy Research, to hear his statement. Out of respect for the other shareholders in attendance, and to allow ample time for Q&A, we ask you Mr. Danhof to please limit your comments to a period of three minutes. Mr. Danhof, you're now on the line.

Justin Danhof

General Counsel & Director-Free Enterprise Project, The National Center for Public Policy Research

Thanks so much. My name is Justin Danhof, of The National Center for Public Policy Research and I move Proposal 4, which seeks to increase diversity within the Starbucks community. Presently, Starbucks' equal employment opportunity policy states that "all partners and applicants will be treated fairly, without regard to race, color, religion, sex, national origin, age, physical or mental disability, sexual orientation, marital status, military or veteran status, gender identity and expression, genetic information, or any other factor protected by law."

We filed our proposal and made a very simple request. We ask that you extend that policy to include protections against viewpoint discrimination. That's because all across Corporate America, the political Left is engaged in a fierce cancel culture that seeks to root out Conservatives. As we note in our proposal, companies such as Facebook and Google routinely fire Conservative employees, when they speak their values. At the 2019 Annual Meeting of Apple shareholders, an audience member told company CEO Tim Cook about her close friend who works at Apple, and lives in fear of retribution every single day, because she happens to be a Conservative. What she describes as the textbook definition of a hostile work environment.

Starbucks has also previously refused requests to increase the viewpoint diversity of its board of directors. This signals to employees that viewpoint discrimination is condoned, if not encouraged, and perhaps the leading cancel culture group, The Southern Poverty Law Center, has made veiled threats against any corporation that would hire former Trump administration officials. Former Starbucks CEO, Howard Schultz, once even berated a shareholder for his belief in adherence to traditional marriage, a view held by billions of Christians, Jews and Muslims worldwide.

When I met with Starbucks executives regarding our proposal, I relayed concerns that many Conservatives and religious-minded Americans had with the company over the span of many years. I noted that in light of the company's radical Left-wing stances on environment, immigration and social justice issues, many Conservatives avoid consuming Starbucks. Further, many Conservative and religious Americans would never consider working for Starbucks. This means that the company's Left-wing policy stances are limiting Starbucks' potential workforce. Our proposal offered Starbucks a means to alleviate that concern by signaling to Conservatives that the company makes employment decisions free from viewpoint biases, Starbucks would increase the number of Americans willing to both buy Starbucks products and consider working for the company.

Unfortunately, my concerns and my offer to help the company improve its outreach to Conservatives fell on deaf ears. So we are today calling on Starbucks investors to do what its leaders wouldn't do. We believe that diverse workforces can think more critically and deliver greater results for shareholders. That's a win for investors and a win for true diversity.

Please join me in voting yes on Proposal 4. I thank you.

Rachel A. Gonzalez

Executive Vice President, General Counsel & Secretary, Starbucks Corp.

Thank you, Mr. Danhof.

A diverse and inclusive environment is critical to Starbucks' business. We seek diversity in its broadest sense, in all aspects of our business. Embracing diversity, encourages innovation and allows us to succeed and to grow. To encourage more meaningful conversations on the topic of diversity and inclusion, we worked with Arizona State University and developed the To Be Welcoming curriculum that is available to our partners and to the general public.

To Be Welcoming, illustrates how to work through potentially uncomfortable truths of human experience in a respectful and a thoughtful manner. This academic and research-based curriculum is intended to help people navigate ways to engage with difficult topics including race, gender, religion, political culture, disabilities, sexuality, nationality and age. Consistent with Starbucks' mission and values, we celebrate diversity and we're committed to creating an inclusive environment for our partners and for our customers. Given our ongoing efforts to support a welcoming environment at Starbucks, our board of directors believes a public report detailing the potential risks associated with omitting viewpoint and ideology diversity from our written Employment Opportunity Policy is unnecessary and not beneficial to our shareholders. Accordingly and respectfully, for the reasons stated in our proxy statement, the board recommends a vote against this proposal.

That concludes the matters to be voted on, as outlined in the notice of the annual meeting. In accordance with our bylaws, I hereby declare the polls for voting at our 2020 Annual Meeting closed.

I have received the preliminary tabulation from Broadridge, and based on that tabulation, I am pleased to report that all the director nominees were elected, each of the management proposals was approved, and the shareholder proposal regarding EEO Policy Risk Reporting was not approved.

The final voting results of today's meeting will be reported on a Form 8-K, filed within four business days of this meeting. That concludes the formal business and I now declare the meeting adjourned. We will open the meeting for a Q&A session in a few moments. Please note that we will answer as many questions from shareholders as time allows.

QUESTION AND ANSWER SECTION

Kevin Johnson

President, Chief Executive Officer & Director, Starbucks Corp.

A

Well, to take questions, I'm joined here by a few of my partners on our leadership team. Let me introduce them to you. Over here on the far left is Pat Grismer, our Chief Financial Officer. Sitting next to me is Rossann Williams. Rossann is President of our North American Business, US and Canada. Rossann. To my right, John Culver, is Group President of our International Channel Development and our Coffee – Global Coffee and Tea Business. And to my far right is Rachel Gonzalez, our General Counsel. Also joining us with audio connection is Roz Brewer, our Chief Operating Officer.

So, we have questions coming in and so, let's go ahead and take the first question. A number of questions related to COVID-19. I'll read the question here.

The question is, during COVID-19, how are store partners being supported if they've been diagnosed or feel they have been exposed to coronavirus? Are they being required to come to work and are you paying them if you've closed their store or if they can't work?

And I commented a little bit on that in my remarks, but maybe Rossann, I'll ask you to talk a little bit about how we're navigating this in the United States and Canada.

Rossann Williams

Executive Vice President & President-U.S. company-operated business and Canada, Starbucks Corp.

A

Thank you, Kevin. We made very, very early decisions to temporarily expand our catastrophe pay policy that has actually been in place for 20 years. And with that, anticipating what we might face, we went out very early on to guarantee that every single partner that was positively diagnosed with COVID-19, believed that they were exposed to COVID-19 or even have any suspicion that they could have the virus, that we encourage them to please take 14 days of paid time off to stay home and self-isolate.

We've even extended that to partners that feel ill and not sure if they have the virus or not, that we've encouraged them to stay home for up to three consecutive days, just to make sure they have an opportunity to get tested, if in fact that was something that they wanted to do. And obviously, if we made a decision and a difficult decision to close a store, we will obviously pay for our partners. There is – in no way do we want our partners to have to choose to come to work where they're not feeling well, or whether they're afraid that we're not going to support them in these times, because that's what we do. So we support our partners. And so every day we're learning something new, and every day we'll make the courageous, proactive decisions that we need to make, to make

sure that our partners and our customers are at the top of safety concerns as a company. And we're going to support them through these next few months to come.

Kevin Johnson

President, Chief Executive Officer & Director, Starbucks Corp.

Rossann, it looks like the second question is also one for you...

A

Rossann Williams

Executive Vice President & President-U.S. company-operated business and Canada, Starbucks Corp.

COVID.

A

Kevin Johnson

President, Chief Executive Officer & Director, Starbucks Corp.

...so I'll – the question that was submitted was, what are you doing in your stores to help ensure customer and partner safety?

A

Rossann Williams

Executive Vice President & President-U.S. company-operated business and Canada, Starbucks Corp.

So we learned very early on, from our amazing partners in China, a number of decision logics on how we could progressively continue to increase the safety standards in our stores. And we've been partnering with the CDC and local health and government agencies over the past few months to ensure that the standards that we have in our stores far exceed what the recommendations and guidelines are. So, currently today, in North America, every single Starbucks location has moved to a to-go format, meaning that our drive-thrus are open, mobile order and pay & pickup, delivery and walk-in, order, pick up a beverage and walk out of our cafes, are all being supported to reduce and support the guidelines around social distancing.

A

So, that means if you're a customer today, that you won't see any furniture or not access to furniture in our stores because we take our responsibility at helping make sure that we're stopping the spread of the virus as our utmost priority.

Kevin Johnson

President, Chief Executive Officer & Director, Starbucks Corp.

Thank you, Rossann. As Rossann mentioned, we – much of what we're applying around the world are lessons that we learned in China, because in China, our team in China had begun dealing with this, you know, early to mid-January. And the next question is one related to China that I'm going to hand to John Culver. The question is, are you closing 80% of stores in China or are 80% of stores in China already closed? Can you clarify? John?

A

John Culver

Group President-International, Channel Development and Global Coffee & Tea, Starbucks Corp.

Yeah, what I would say is that early on, when we made the decision, as Kevin expressed in his opening comments, we did close stores rapidly and we had up to 80% of our stores closed. We are now open for business in China and we now have reopened and have over 90% of our stores opened, and we're committed to having 95% of our stores opened by the end of the quarter. We are welcoming customers back into those stores and we're excited. Our partners are excited to serve our customers and to get back into the normal routine of our customers visiting our stores and we're optimistic on that occurring, which we're seeing.

A

Kevin Johnson

President, Chief Executive Officer & Director, Starbucks Corp.

A

Yeah. And I'll just reinforce, I think it was two weeks ago, we communicated publicly that we anticipated having 95% of our stores opened by the end of March and we're well ahead of that objective and we'll make that comfortably. So...

John Culver

Group President-International, Channel Development and Global Coffee & Tea, Starbucks Corp.

A

Yeah.

Kevin Johnson

President, Chief Executive Officer & Director, Starbucks Corp.

A

...thank you, John. Next question is related to our environmental sustainability and some of the plant-based. So, this question is submitted on behalf of the People for the Ethical Treatment of Animals, regarding the surcharge on non-dairy milk at Starbucks. The question is, the company has acknowledged that the use of dairy products constitutes a significant portion of its carbon dioxide emissions and said, alternative milks will be a big part of the solution. If Starbucks were serious about helping to reverse climate change, it would make this eco-responsible option more accessible to its customers, and stop penalizing customers who want to do the right thing by charging them an extra \$0.60 to \$0.80 per nondairy alternative.

So my question is, when will Starbucks put its money where its mouth is, and remove the barrier to customers choosing climate, health and animal-friendly vegan options by dropping the surcharge on nondairy milk? Thank you.

And I'll just remind you, I touch briefly on the fact that we have announced a very broad environmental sustainability agenda that we call Planet Positive, where we give more than we take from the planet, and that's across climate, water and waste. And I'm going to hand this off to Roz, our Chief Operating Officer, to tell you a little bit more about what we're doing in the menu and plant-based alternatives. So, Roz, if you're there, I'll hand this one to you.

Rosalind Gates Brewer

Chief Operating Officer, Group President & Director, Starbucks Corp.

A

Yes. Thank you, Kevin. Hopefully everyone can hear me very well. So, let me tell you first about our portfolio. So we currently offer in the US, almond milk, soymilk and coconut milk. We're testing oat milk in the Chicago region, just launched that in January, and then when you see our Spring beverage promotions, you'll see plant-based alternatives within that offering as we'll continue to innovate on plant-based alternatives and beverages. When it comes to Breakfast Sandwiches, earlier this month we introduced the new Beyond Meat, Cheddar and Egg Sandwich to the Canadian stores. You'll see this come to the US market, a plant-based patty for the US, and we'll share more with – when that comes available.

I do want to mention too that just as with our coffee, Starbucks – our goal is for everything we sell, everything we sell to be produced under high-quality and ethical standards. For the food and the dairy we serve, this means that we have a commitment to social responsibility standards and animal welfare as our primary focus. So, when it comes to the cost and the charges of alternative milk, the products we offer our customers in our stores are priced right in line with the broader industry. So as you know, alternative milk costs more than dairy and as – we experience something very similar to what a customer would experience when we purchase these products.

So while there is no single factor in these pricing decisions, we expect costs to come down as the supply chain for plant-based options matures and we can pass that on to our customer base. But we are working this very carefully.

Kevin Johnson

President, Chief Executive Officer & Director, Starbucks Corp.

A

Great. Thank you, Roz. Appreciate that. The next question is a question regarding some of our airport licensee with HMSHost topics and the question is, Starbucks has closed some locations and is moving to a to-go model at other stores due to COVID-19 pandemic. There are [airports Starbucks stores operated by Starbucks partner, HMSHost that remain open at this time]. A worker at an HMSHost operated Starbucks at the Orlando International Airport reported that HMSHost is not providing hand-sanitizer or protective gloves to Starbucks workers. What is Starbucks doing to make sure that HMSHost keeps workers and the traveling public who patronize Airport Starbucks safe? Roz, I'm going to hand this one to you.

Rosalind Gates Brewer

Chief Operating Officer, Group President & Director, Starbucks Corp.

A

Thank you, Kevin. So HMSHost has been a long-term partner of ours and they are exclusive – had been exclusive to us in our Airport location. We work together to create our standards of operating for our partners, partners that wear the green apron on behalf of Starbucks and our licensees. Our standards should be equal in those stores as well as ours. We share our standards, we teach and train the partners that you experience in our stores in our Airports and they should be following those guidelines.

As many know that as we do all the work that we do with our partners and our licensees, we raise the standards and we expect them to operate just as we're operating in our company-operated stores around the world.

Kevin Johnson

President, Chief Executive Officer & Director, Starbucks Corp.

A

Great. Thanks, Roz. Next question is related to our growth at scale agenda. It starts with, is the Growth at Scale agenda is still intact? The answer to that is, yes. But the second part of the question gets a little deeper. It says, what was the consideration behind licensing international markets?

And just to sort of frame this, our Growth at Scale agenda is part of – it's really is our profit-positive strategy for the company, and we started this several years ago by streamlining the company, and part of streamlining the company was recognizing that some markets, outside of the US and China, could be managed in a better way by license partners to accelerate the growth, that license partners are in a better position to accelerate growth in those markets than Starbucks would. So we focus on two long-term – or two lead growth markets, US and China, and we're in 82 markets.

So, US and China, in many ways we think of them as the – sort of the leaders of the peloton, where all other 80 markets can draft right behind the innovation that's taking place in the US and China. And so our Growth at Scale agenda is still intact and over this past year, we did have a handful of markets that transitioned from company-operated to licensed. They transitioned to license partners that we've been partners with for many, many years and John, I'm going to let you comment a bit more on the international strategy.

John Culver

Group President-International, Channel Development and Global Coffee & Tea, Starbucks Corp.

A

Yeah. I think when you look at the markets that we operate in, outside of the US and China, there still is a tremendous opportunity to continue to grow the business and increase the number of stores that we have internationally. And so, we're better served by doing it with our license partners who have the local infrastructure, the local knowledge and the capabilities, and a lot of these license partners we've had 20-plus-year partnerships with. And you know, we've worked very closely with them in expanding the territories in the countries that they're in and they have adopted our mission, our values and the culture of Starbucks within their own companies. So we work very closely with them and we feel that through them, we can continue to scale and grow at a rapid pace.

Kevin Johnson

President, Chief Executive Officer & Director, Starbucks Corp.

A

Thanks, John. The next question is, how do you expect Starbucks will operate differently coming out of the crisis based on what we have learned in China? And you know, as I commented, clearly Belinda and Leo and the team in China, as they navigated COVID-19, they developed a range of safety protocols in our stores and basically created a model that we are now using around the world, and we know that that model worked because we observed it in China. And I think two weeks ago, we shared publicly that we are opening more stores in China and China was on the uptick and that continues. So we know it works. And so, we are taking that model and sharing it both in North America, as well as other markets. So, John, you want to comment a bit more about how that's really shaping the way we're responding to this on a global basis.

John Culver

Group President-International, Channel Development and Global Coffee & Tea, Starbucks Corp.

A

Yeah. I think our belief as we navigate this crisis is that we will get through this crisis and we will emerge from it stronger than ever as a company, both in China, in the US, and other markets that we operate in around the world. And we are taking a long-term view by putting our partners first at the core of the company, ensuring their safety and ensuring the safety of our customers while we serve the communities. We're working closely with the local government and health officials across all the markets and we feel that we're going to be in a great position when the crisis ends to emerge from this, and we're already seeing signs of that in China.

In addition to this long-term view in China, we just announced today the \$130 million investment in China for our coffee roasting warehouse and distribution facility, which further commits us to the long-term success of that market. And we're making similar types of investments across the company in digital, in product innovation, in our stores, and we will continue to do that to fuel the growth of the company going forward, both in China as well as outside of China.

Kevin Johnson

President, Chief Executive Officer & Director, Starbucks Corp.

A

Thanks, John. There's a question here I'm going to hand to Pat, has to do with our buyback strategy, and the announcement that was issued today on some approval for additional buyback. So, Pat?

Patrick J. Grismer

Executive Vice President & Chief Financial Officer, Starbucks Corp.

A

Thank you, Kevin. First, let me clarify that this is not a buyback strategy. This is something that we do in the ordinary course of business. Every 12 to 18 months we request board approval of a new share repurchase authorization to replenish our supply of shares available to repurchase. It doesn't mean that we are necessarily activating that new incremental authorization. I also want to clarify that share repurchases, we view as entirely discretionary, and depending on where we find ourselves at any point in time, we can stop that program.

I further want to reinforce that our announcement of this new authorization does not signal a change to our shareholder capital return program or to our leverage policy. We remain very much committed to an investment grade credit rating, BBB credit rating, as well as a leverage cap of three times rent-adjusted EBITDA. Now, it's true that the impacts of COVID-19 will cause us to exceed that leverage cap for a period of time. We view these impacts to be temporary, and thus we do expect our leverage to return below three times lease-adjusted EBITDA. So our leverage policy is unchanged.

We continue to manage our business very responsibly from a liquidity perspective and that includes our shareholder capital return. I would also like to highlight that yesterday, our board of directors approved our quarterly dividend of \$0.41 per share, payable on May 22nd to shareholders of record on May 8th.

Thanks, Kevin.

Kevin Johnson

President, Chief Executive Officer & Director, Starbucks Corp.

A

Thanks, Pat. Another question, Pat for you. The question is, given how much is still unknown around COVID-19, do you have additional insights you can share about the short and long-term financial impact of the virus on your business and is the balance sheet solid? Pat?

Patrick J. Grismer

Executive Vice President & Chief Financial Officer, Starbucks Corp.

A

Thank you. There is still much that is unknown about the impact of COVID-19. But I would say, what is known is how it has impacted our China business, consistent with what we disclosed in our 8-K two weeks ago, as well as what we continue to see by way of a recovery in our China business, with each passing week demonstrating improvements in sales. And this provides us confidence that as COVID-19 impacts our US business, that it too will have a temporary effect and we will see a recovery over time. But it's simply too early in the stage of COVID-19 in the US to speculate as to what that recovery curve will look like.

Kevin Johnson

President, Chief Executive Officer & Director, Starbucks Corp.

A

Thank you, Pat. Our last question is, with heavy competition from other local coffee shops, what is Starbucks going to do to maintain its customer base?

And I'll go back to, we had – we just came off the strongest holiday quarter in history of the company. And in that quarter, we grew, you know, same-store comparables, we grew customer occasions faster than anyone else we saw out there reporting. And the formula that we've been using to drive this growth is pretty simple. We invest in our partners, we invest in digital and we focus on the customer experience in our stores, we focus on beverage innovation that's relevant to our customers and that inspires our partners, and we focus on digital customer relationships. And so, we continue to focus on those three things.

Those three things have driven much of our growth in fiscal 2019. They delivered a record holiday quarter coming out of the end of calendar 2019, and those are the same three things that we're going to continue to invest in. They differentiate Starbucks and we know it's working and so we're going to keep our eye on those three priorities.

Kevin Johnson

President, Chief Executive Officer & Director, Starbucks Corp.

So, with that, it's an opportunity to just thank all of you for joining on the first virtual Annual Meeting of Shareholders that we've ever hosted, and I want to thank my partners on the leadership team and Roz, who has joined us by phone for sharing in this Q&A session.

So, thank you so much for joining us and we appreciate the opportunity to share this with you today.

***Editor's Note: Texts in square brackets were added at the request of the company due to technical issues at some parts during the call

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