



TRANSCRIPT Starbucks Global Total Rewards Presentation November 2020

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Hello, everyone. My name is Holly May, and I'm the senior vice president of Global Total Rewards & Service Delivery. Thank you for joining me today, as part of our three-part video series to discuss environmental, social and governance matters at Starbucks.

To begin, I wanted to share a little bit about my Starbucks story. I joined Starbucks two years ago to lead Global Total Rewards and HR Service Delivery. For the last 50 years, Starbucks has been a first-of-its-kind company, leading our industry in the way we care for people. Starbucks has led our industry in providing insurance to eligible part-time employees, who we call partners, providing stock programs to eligible retail partners, building Signing Stores across the globe, and committing to veteran and refugee hiring. I wanted to be part of an organization that prioritized people and made an impact through the compensation plan design and programming that are at the core of the organization's Mission and Values. As part of this role, I'm responsible for providing consultation to the Executive Leadership Team on the strategic direction of our Global Total Rewards portfolio and leading work with the Compensation and Management Development Committee of the Starbucks Board of Directors.

The Total Rewards function at Starbucks is responsible for the compensation and benefits plans and programs for our company-operated partners around the globe, including our executives. We are a pay for performance company, offering market-competitive compensation, meaningful benefits, and differentiated rewards for our high performers and believe that investing in our partners results in increased engagement, satisfaction and retention, which ultimately leads to an elevated Starbucks Experience for our customers.

Our Total Rewards philosophy is designed to recognize and reward the contributions of all partners, including executives, motivating all partners to build long-term shareholder value. Target total direct compensation for our named executive officers is designed to be competitive with peer companies and market data to help us attract and retain top executive talent. The majority of executive officer compensation is variable and is tied to our financial performance or the performance of our stock price, or both. This means that our executives are rewarded when they produce value for our shareholders and our partners in line with our pay for performance philosophy. The Compensation and Management Development Committee of the Starbucks Board of Directors considers comprehensive information, including the performance of each NEO during the relevant fiscal year, when making their final compensation decisions. The Committee is responsible for approving executive compensation plan design, annual bonus payouts and total target compensation for our executive officers.

The Starbucks Board of Directors prioritizes regular updates on investor outreach to ensure the feedback and perspectives of our institutional investors are known and understood. We recognize that we have a diverse shareholder base with varying views on executive compensation and understand that not all of our shareholders are aligned on which performance metrics should be used in our compensation program. We evaluate our compensation program annually and share investor feedback with our Board. Ultimately, we're committed to increasing shareholder value by linking executive pay to performance through a variety of performance metrics that we believe will motivate Starbucks leaders to execute against our "Growth at Scale" agenda.

Two years ago, we made the decision to redesign our two incentive plans, so I'd like to walk you through the key changes to our fiscal 2020 executive incentive plan design. I'll start with our Annual Bonus Plan. The decision was made to incorporate an Individual Performance Factor weighted at 30% of the overall payout calculation to differentiate awards on the basis of individual performance and tie annual performance goals directly to variable compensation. The Committee's intent is to differentiate performance under that portion of the plan, while keeping the formulaic portion of the plan, the other 70%, based on objective company financial performance measures. Each executive officer's annual cash incentive will be determined based on an assessment of individual performance against strategic, operational and leadership goals. Performance indicators for fiscal 2020 are linked to Starbucks strategic priorities and tailored to individual responsibilities. The objective portion of the plan, based on company financial performance, utilizes the same metrics, Adjusted Net Revenue and Adjusted Operating Income, as fiscal 2019, and that is weighted at 70%.

So, next let's move to our Long-term Incentive Plan in which we incorporated three key changes. First, the extension of our performance period from two to three years and this change was driven by shareholder feedback. Second, stock options were replaced with time-based RSUs. 40% of annual awards are in the form of time-based RSUs and the remaining 60% of annual awards in the form of pRSUs. This change was driven by a need to retain executives following a decrease in realized pay over previous years. At the time of the change, only a small minority of the Fortune 100 utilized stock options within their LTI plans. The final change was a replacement of ROIC with rTSR, as compared to the S&P 500, as an upward and a downward modifier at the end of the performance period. This was in order to further align compensation with shareholder interests. EPS was retained as the annual three-year metric as it is consistent with our commitment to sustainable growth at scale.

As part of our annual re-evaluation process, the Board and the management team have determined new plan designs for both of our fiscal 2021 short-term and long-term executive incentive plans. We announced on October 14th of this year, our decision to incorporate goals focused on building inclusive and diverse teams into our executive compensation programs beginning in fiscal 2021. Though we've always incorporated ESG goals in the annual performance plans of our executives, our plan design in fiscal 2021 will create a more direct tie

between these results and individual variable compensation. The specifics will be disclosed in our January 2021 Proxy Statement.

Before I close, I wanted to say a few words about our partner care journey over the last eight months. We introduced a three-pronged model at the start of the COVID-19 pandemic that was applied globally to enable quick, market-specific decision-making under a common set of principles. First, caring for the health and well-being of our partners and customers; second, playing a constructive role in supporting our local health officials and government leaders; and third, showing up as a responsible member of the communities we serve. Our Mission and Values were critical guardrails as we navigated through the pandemic. Each decision made was focused on building confidence and trust in our brand with both partners and customers. We prioritized the health and wellness of our partners and provided economic certainty for them by investing in broad-based pay and partner care, which included catastrophe and service pay for retail and non-retail partners, expansion of the Care@Work subsidized backup care benefit, and the launch of PartnerBridge to support our U.S. company-operated retail store manager and hourly partner conversations, as they navigated through alternatives that were offered. The first, stay with the company. The second, elect a new COVID-19 Leave of Absence, and the third, pursue a different path. Starbucks prioritized partner choice to do our best to ensure each partner's personal needs were met.

In closing, Starbucks aims to keep partner care front and center and to recognize and differentiate individual performance through our comprehensive total rewards program. To our investment community and stakeholders joining us today, thank you for taking the time to learn more about Total Rewards at Starbucks. To learn more and receive the latest updates, please visit stories.starbucks.com or contact us at investorrelations@starbucks.com.

Thank you.

FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements. Forward-looking statements are subject to various risks and uncertainties that could cause our actual results to differ materially from these statements, and should be considered in conjunction with cautionary statements and risk factor discussions in our filings with the SEC, including Starbucks Annual Report on Form 10-K for the fiscal year ended September 27, 2020. Starbucks assumes no obligation to update any of these forward-looking statements or information.