



TRANSCRIPT Starbucks Sustainability Presentation

November 2020

Presented by: Michael Kobori, vice president, chief sustainability officer

Moderated by: Durga Doraisamy, vp Investor Relations

Durga Doraisamy:

Hello, and welcome everyone. My name is Durga Doraisamy, and I'm the vice president of Investor Relations here at Starbucks Coffee Company. Thank you for your interest in Starbucks commitment to Environmental, Social, and Governance matters. As our CEO, Kevin Johnson, has said, at Starbucks, we believe the pursuit of profit is not in conflict with doing good. In this three-part video series, leaders from our Sustainability, Global Total Rewards, and Inclusion and Diversity teams will discuss Starbucks efforts, milestones, and aspirations related to these programs. Today, I'm delighted to introduce Michael Kobori, vice president and chief sustainability officer, to discuss Sustainability at Starbucks. Michael, thank you for joining us here today. You've got a very interesting background and we'd love to hear more about it and please tell us what inspired you to join Starbucks?

Michael Kobori

Thank you, Durga. It's a pleasure to be here today. As you know, I came to Starbucks in January of 2020 after 22 years leading sustainability at Levi Strauss & Co. and one of the things that really attracted me about Starbucks was our CEO, Kevin Johnson's, really extraordinary vision for Starbucks to become planet positive. The other thing that's so attractive about Starbucks is we're a big company with a lot of influence. We influence literally millions of people, millions of customers that we have and I feel like we also have influenced not only with companies in our sector, but companies in the entire private sector so that we, as a company, can be more sustainable, but we also have this bigger power, I think, to help make the entire system more sustainable and that was very attractive to me.

Durga Doraisamy:

So, Michael, why do you think Sustainability is important to Starbucks and what is its linkage to the business and to Starbucks Mission and Values?

Michael Kobori:

You know, Durga, sustainability has been at the core of Starbucks since the very beginning and, as you mentioned, it ties directly to our philosophy that for us at Starbucks, the pursuit of profit is very consistent with the pursuit of doing good. Now, leadership and sustainability, it takes commitment, it takes investment and it also takes innovation and our strategy around sustainability is certainly right for us given our mission as a responsible corporate citizen but it's also fundamental to our business success.

Durga Doraisamy:

So, Michael, what are Starbucks future sustainability goals?

Michael Kobori:

We've been making big moves here at Starbucks on sustainability from greener cups to strawless lids to responsibly sourced coffee and in January of 2020, Kevin Johnson, our ceo, announced this new aspiration to become resource positive. Essentially, that means giving more than we take from the planet's natural resources. And we set at that time preliminary ten-year targets, so targets to 2030, focusing on our carbon emissions, water use, and waste. Those are our three core material issues as a company. Ultimately, we want to store more carbon than we emit, eliminate waste, and provide more clean freshwater than we use.

As we think about those 2030 preliminary targets, so to be more specific, they include a 50%, 5-0, 50% reduction in our carbon emissions in both our direct operations and our supply chain. For those sustainability wonks, that means 50% reduction in scope 1, 2 and 3 emissions. They also include a 50% reduction of water withdrawals in our direct operations and coffee production focused on those water basins where there was a high water risk, where water matters the most. And around waste, it's a 50% reduction in waste sent to landfill from stores and manufacturing. We're really on a journey to get to a circular economy and, as part of our January announcement, we joined the Ellen MacArthur Foundation's New Plastics Economy Global Commitment.

Now, to underpin those 2030 targets, our key leaders got together, and we identified five business strategies that will get us to 2030, 50% reductions. The five strategies are number one, expand our plant-based menu options, number two, shift away from single-use to reusable packaging, number three, develop and invest in a more sustainable supply chain, regenerative agriculture, reforestation, water replenishment. Number four, invest in better ways to manage our waste. Get to a circular economy, more reuse, recycling, and elimination of food waste. And the last one is a more sustainable operations: more greener stores, greener manufacturing, and delivery.

Durga Doraisamy:

Those five strategies cover a lot of ground. And, since 2001, Starbucks has been reporting its progress in the social responsibility space, and as we look at the work that we've done around time-bound goals, we've looked at structures such as SASB. Michael, from your perspective, what do you think future reporting looks like?

Michael Kobori:

Starbucks has a long history of reporting on our progress as you know, Durga. Every year, we issue our Global Social Impact Report. Now, we know and we've been certainly following the evolution of the reporting standard space and we know that there's increasing investor interest in sustainability. Certainly, we see that in things like TCFD and the emergence of that and in the growth of SASB. Now, personally, I really like SASB because it focuses us on the issues that are material to our company and our sector, and we know that is what investors are interested in. So, we're actively considering SASB as part of our upcoming disclosures and, since 2018, through our CDP reporting on climate emissions, we've been publishing also TCFD-aligned reports.

Durga Doraisamy:

So, one of the hallmarks of Starbucks approach to environmental, social and governance matters is to partner with other leading experts, NGOs, and agencies to inform how we work and to also move the ball forward. Michael, what can you tell us about who we've collaborated with and some of the outcomes that we're hoping to achieve?

Michael Kobori:

We know at Starbucks that our aspiration around planet positive, resource positive, is a big one and we know we can't do it alone and that is why we have to partner with others. And so, we partner very closely with civil society groups, environmental NGOs, to ensure that we're not only incorporating their innovative thinking, but we're actually getting them to help hold us accountable for what we have set out as our targets. For example, we work with WWF and the World Resources Institute on some of our programs, WRI around our plant-based menu programs, and WWF on our baseline reporting every year. We know that we also need to work with the public sector because we know that the public sector has deep insights into what citizens are thinking and what they need, and we know that thoughtful policy can help accelerate that shift to a more sustainable system. For many years, we've been part of a group called BICEP, Business for Innovative Climate and Energy Policy that has many companies involved that is trying to get the federal government to adopt more sustainable energy and climate policies which really brings me to the last group of actors that we partner with and that is companies, including our competitors. We work with others to really help change the system. We've reached out to McDonald's and others who have also invested in the NextGen Cup Fund that we started two years ago to get the most innovative ideas around how do we move to more reusable cups and more recyclable cups.

Durga Doraisamy:

On that note, Michael, what are Starbucks strategies related to reducing single-use packaging, including cups and reducing Starbucks carbon footprint?

Michael Kobori:

When we talk about waste, there's a couple things involved, one, of course, is solid waste and packaging and the other is our food waste, so let me speak to packaging for a moment. In packaging, the single-use cup is one of our biggest priorities. In a way, you could say it's Starbucks Holy Grail. We need to address that single use cup and so, we're working on many solutions. We are working with experts and nonprofit organizations to invest and then drive a more comprehensive and robust recycling infrastructure. We partner with the Closed Loop Fund in this regard. We are also, as I mentioned, reaching out to innovators and others with other companies through initiatives like the NextGen Cup Fund that got great innovations to us around reusable cups, reusable cup systems and so forth that we have begun to test. A great example of those is a reusable cup trial that we did at Gatwick Airport in London, in partnership with an environmental group called Hubbub. We did that last year as a great example of what we're doing to test more reusable cup systems.

Now when it comes to food waste, this crisis, the pandemic, has really driven home the fact that food insecurity has a major impact on our society and so we continue to expand our food share program. This year to date, we have rescued more than 25 million meals through that program and we're also

investing in longer-term strategies that we know work like mobile pantries that help get food from one place to those who really need it.

Now when we talk about carbon, we're actually a leader in renewable energy. To date, we've directly invested \$75 million in new solar energy facility development through things like virtual PPA, sleeved power purchase agreements, and green tariffs. Our long-term portfolio equates to more than \$200 million in future commitments and that helps to drive more investment in renewable energy. The last thing I want to mention on carbon is we've developed some really innovative new strategies, something called a virtual storage agreement (VSA) that literally involves getting industrial batteries into solar contracting. So, we know that solar power isn't there all the time, at night-time, so then there's a gap in when that renewable power is available. By investing in these industrial batteries, we're able to provide renewable energy 24/7.

Durga Doraisamy:

It's fascinating to see what we learn from each trial and how we continue to progress forward. Moving on to plant-based menu items, how has Starbucks expanded that program?

Michael Kobori:

Durga, I'm very excited about plant-based menu for a couple of reasons. The first is that we know that customer interest in plant-based foods continues to see rapid growth. We know from The Good Food Institute that plant-based food items are a \$5 billion a year industry and that industry has grown 29% over the past two years. What we also know is that plant-based food and beverage makes a difference to the planet. According to the World Resources Institute, for example, a glass of soy or oat milk has approximately 1/3 of the carbon emissions that dairy does, and 1/4 of the water use. So, as a sustainability person, what I love is the fact that plant-based menu is better for the planet but it's also what our customers want. Now, this summer, we expanded the availability of some of our new non-dairy options including oat milk regionally and we launched the Impossible breakfast sandwich nationwide. We're also introducing plant-based menu items in our international markets.

Durga Doraisamy:

Michael, I'd like to go back to something that you touched on which is the pandemic. How has Covid-19 and the recent social justice movements changed Starbucks sustainability progress or priorities?

Michael Kobori:

Two things about the pandemic, Durga. The first is that, in spite of COVID, it has not changed our focus, commitment or investment in sustainability. If you hear Kevin, our ceo, talk about it, he says full steam ahead on sustainability. But the second thing that COVID has done is it has made us realize that all of these crises that we are experiencing this year, from the pandemic to racial justice issues to climate change, they're all deeply interconnected and it's really making us think. As we pursue our sustainability initiatives, how do we make sure those are intersecting with our social impact programs so together we can ensure the safety and resiliency of not only the environment but of the communities we support.

Durga Doraisamy:

That's great, Michael. Can you share any updates to Starbucks 2030 preliminary goals?

Michael Kobori:

So, since January 2020 when we made the announcement, we've really been sobered by what's happened in the world with all of these multiple crises that we're dealing with and so, it has really made us more thoughtful about the work that we need to do to deepen our commitment to, again, integrate the sustainability programs and our social impact programs together so that we can create a more just, sustainable and prosperous world for our partners and for our customers.

Durga Doraisamy:

Michael, thank you so much for being with us here today. Is there anything else that you would like to add?

Michael Kobori:

Durga, it's been a real pleasure, and the last thing I wanted to mention is that as we undertake this journey, I remain deeply, deeply committed to the fact that it's not only right for Starbucks and our Mission, which is grounded in humanity, but sustainability is fundamental to our brand's relevance and, therefore, to our overall business success.

Durga Doraisamy:

This was really insightful. Thank you, Michael, and, as always, I enjoyed our conversation today. And to our investors and stakeholders who joined us, thank you for taking the time to hear about sustainability at Starbucks. To learn more and receive the latest updates, please visit stories.starbucks.com/stories/sustainability/ 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.