

January 21, 2020



## Dear Shareholders,

*At Starbucks, we live our mission of inspiring and nurturing the human spirit every day through the convening power of coffee. As CEO, I am joined by a leadership team privileged to steward our company into the future, staying true to this enduring mission, sharing success with our partners and leading with environmental consciousness.*

As we approach the 50<sup>th</sup> anniversary of Starbucks in 2021, we look ahead with a heightened sense of urgency and conviction that we must challenge ourselves, think bigger and do much more in partnership with others to take care of the planet we share. Today, I'm excited to be able to share with you our commitment to pursue a bold, multi-decade aspiration to become resource positive and give more than we take from the planet. This is an aspiration that we take on, recognizing it will come with challenges and will require transformational change. Like most things that are worthwhile, this will not be easy. It will require all of us to play a role, and so we invite you to join us.

As many of you know, sustainability has been at Starbucks core since the beginning and consistent with our belief that we can build a great business that scales for good. And for many of us, it's personal. Every day, our partners bring a sense of community and connection to our customers around the world. And every day, partners and customers take pride in our ethical and sustainable sourcing standards for coffee and our longtime support for coffee communities.

We know that leadership in sustainability takes commitment, investment, innovation, partnership and, yes, time. It took nearly two decades of dedicated effort in partnership with Conservation International to achieve the milestone of sourcing 99% of our coffee ethically through [C.A.F.E. \(Coffee and Farmer Equity\) practices](#). Our environmental footprint research shows that by implementing these standards, we have more than halved what our coffee's carbon footprint would have been otherwise.

Becoming a leader in [L.E.E.D. \(Leadership in Energy and Environmental Design\)](#) stores took partnering with experts at the U.S. Green Building Council and a commitment to bring sustainable practices to scale.

Along the way, we have shared with the world what we have learned through open-source agronomy, farmer support centers and industry consortiums. Since 2001, we've published an annual [Global Social Impact Report](#) – one of the longest-running and transparent reporting commitments of any public company. These annual reports not only highlight our progress but also reinforce our accountability for goals and aspirations which evolve with new information, innovation and important lessons when we fall short. For example, we established reusability and recycling goals in 2008 that were unprecedented for our industry but also largely dependent on radical changes in customer behavior. What we learned was that, absent the same rigorous analysis, partnerships and investments that made us leaders in sustainable coffee and green building, our results underperformed our high expectations and underscored the need for a different approach.

Today, more than ever, the world needs leadership in environmental sustainability. We agree with the consensus of scientific experts who note that without drastic action from everyone – governments, companies and all of us as individuals – adapting to the impact of climate change in the future will be far more difficult and costly, taking a toll

on our supply chains, our business, and more importantly, the lives of everyone involved, including coffee farmers, our suppliers, Starbucks partners, customers and every community we serve.

Now, it's time to create a new, bold, broad aspiration – and it's work that will require visionary thinking, new ways of working, investment of resources and urgent action. In that sense, I see today as a milestone for our business as we declare our concern about our planet's future and commit to do more.

**Our aspiration is to become resource positive – storing more carbon than we emit, eliminating waste, and providing more clean freshwater than we use.**

*This aspiration is grounded in Starbucks mission. By embracing a longer-term economic, equitable and planetary value proposition for our company, we will create greater value for all stakeholders.*

Recently, we worked with World Wildlife Fund (WWF) and Quantis to quantify the carbon, waste and water footprint of our operations and supply chain across the globe. This was the first time we had conducted this footprint assessment for all three of those areas, globally.

These benchmarks provided a clear starting point, which led us to define five environmental strategies that will begin to move us toward a resource-positive future:

1. We will expand plant-based options, migrating toward a more environmentally friendly menu.
2. We will shift from single-use to reusable packaging.

3. We will invest in innovative and regenerative agricultural practices, reforestation, forest conservation and water replenishment in our supply chain.
4. We will invest in better ways to manage our waste, both in our stores and in our communities, to ensure more reuse, recycling and elimination of food waste.
5. We will innovate to develop more eco-friendly stores, operations, manufacturing and delivery.

While we're confident these strategies are directionally right, our eyes are wide open knowing that we do not have all the answers or fully understand all the complexities and potential consequences. We do know that this journey will require new innovations and creative ideas from entrepreneurs, non-profits, our suppliers, our licensees, our partners and our customers. We will also be working in concert with the [Science Based Targets initiative \(SBTi\)](#) to help track our progress in conjunction with other companies.

As we move forward, **we will be transparent in reporting short- and long-term progress against our goals.** We're starting by setting three *preliminary targets* for 2030 that will be the focus of our research and operational plans over this next year:

1. A 50% reduction in carbon emissions in our direct operations and supply chain.
2. 50% of our water withdrawal for direct operations and coffee production will be conserved or replenished with a focus on communities and basins with high water risk.
3. A 50% reduction in waste sent to landfill from stores and manufacturing, driven by a broader shift toward a circular economy. To underscore this commitment, we

are pleased to join [Ellen MacArthur Foundation's New Plastics Economy Global Commitment](#), setting ambitious circular targets for our packaging.

On Starbucks 50<sup>th</sup> anniversary in 2021, we will formalize our 2030 environmental goals based on what we have learned between now and then. Specifically, this year we will conduct comprehensive market research and trials to better understand consumer behavior and incentives to encourage consumer use of reusable containers. Working in collaboration with experts and advocates, this research will help inform aspirational and attainable reusability goals in various markets and globally by next year.

For all of us as stakeholders, I want to reemphasize that the journey we undertake is not only the right one for Starbucks responsibility as a corporate citizen of the world but is also fundamental to our brand relevance and, therefore, our overall business results. As such, we remain committed to our long-term, double-digit EPS growth model and will continue to deliver targeted financial results by prioritizing the right investments across our partners, customers and planet in support of our “Growth at Scale” agenda.

Today is a milestone for our business as we declare our concern for our planet's future and commit to do more. I invite you to join us.

With great appreciation,

[Kevin Johnson](#)

ceo, Starbucks Coffee Company

**Forward-Looking Statements**

Certain statements contained herein are “forward-looking statements” within the meaning of the applicable securities laws and regulations. Generally, these statements can be identified by the use of words such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “feel,” “forecast,” “intend,” “may,” “plan,” “potential,” “project,” “should,” “will,” “would” and similar expressions intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These statements are based upon information available to Starbucks as of the date hereof, and Starbucks actual results or performance could differ materially from those stated or implied due to risks and uncertainties associated with its business. These risks and uncertainties include, but are not limited to, the risks detailed in the company filings with the Securities and Exchange Commission, including the “Risk Factors” section of Starbucks Annual Report on Form 10-K for the fiscal year ended September 29, 2019. We assume no obligation to update any of these forward-looking statements.

**Non-GAAP Financial Measures**

Certain non-GAAP measures included in this letter were not reconciled to the comparable GAAP financial measures because the GAAP measures are not accessible on a forward-looking basis. The company is unable to reconcile these forward-looking non-GAAP financial measures to the most directly comparable GAAP measures without unreasonable efforts because the company is currently unable to predict with a reasonable degree of certainty the type and extent of certain items that would be expected to impact GAAP measures for these periods but would not impact the non-GAAP measures. Such items may include acquisitions, divestitures, restructuring and other items. The unavailable information could have a significant impact on the company’s GAAP financial results.