



Corporate Social Responsibility Annual Report



Fiscal 2001

ABOUT THIS REPORT

The information in this Report is for fiscal year 2001 (October 2, 2000, through September 30, 2001) and covers Starbucks company-operated retail and distribution operations in North America and sourcing activities in coffee-origin countries. Other than some company-wide financial information, Starbucks specialty operations and international retail markets are not included in this Report. Starbucks North American operations include Canada and the U.S., excluding Hawaii.



Howard Schultz



Orin Smith

Alan Abramowitz Photography

At Starbucks, the choices we make and actions we take are a reflection of our core values. To become what Starbucks is today—the leading retailer, roaster and brand of specialty coffee—took the vision to create a values-driven coffee company inspired by passion, dedicated to quality and guided by exceptionally strong principles.

Starbucks aspires to be recognized as much for our commitment to social responsibility as we are for the quality of our coffee. We've focused our efforts on improving social and economic conditions for coffee farmers; minimizing our environmental impact; making a positive contribution in the communities where we do business; and providing a great work environment for our partners (employees).

Throughout our 30-year history, we have been committed to social responsibility. Today, with the strength of our brand in the marketplace, Starbucks has an opportunity to lead by example. Our responsibility starts with being accountable to Starbucks stakeholders—our partners, customers, shareholders, suppliers, community members and others—and communicating openly about our business practices and performance. We are, therefore, publishing our first annual Corporate Social Responsibility Report to communicate the way we do business.

Our goal throughout this Report is to provide information to our stakeholders about our policies and practices, and to provide, when possible, measures of our performance. By publishing this Report, Starbucks joins a small but growing number of companies that are assessing their corporate citizenship, taking measures to provide transparency on performance and being accountable to stakeholders. We realize that every day we must conduct our business in ways that earn your admiration and trust. We hope this Report helps us to do just that.

Warm regards,

A handwritten signature in dark ink, reading "Howard Schultz".

Howard Schultz
chairman and
chief global strategist

A handwritten signature in dark ink, reading "Orin C. Smith".

Orin C. Smith
president and
chief executive officer

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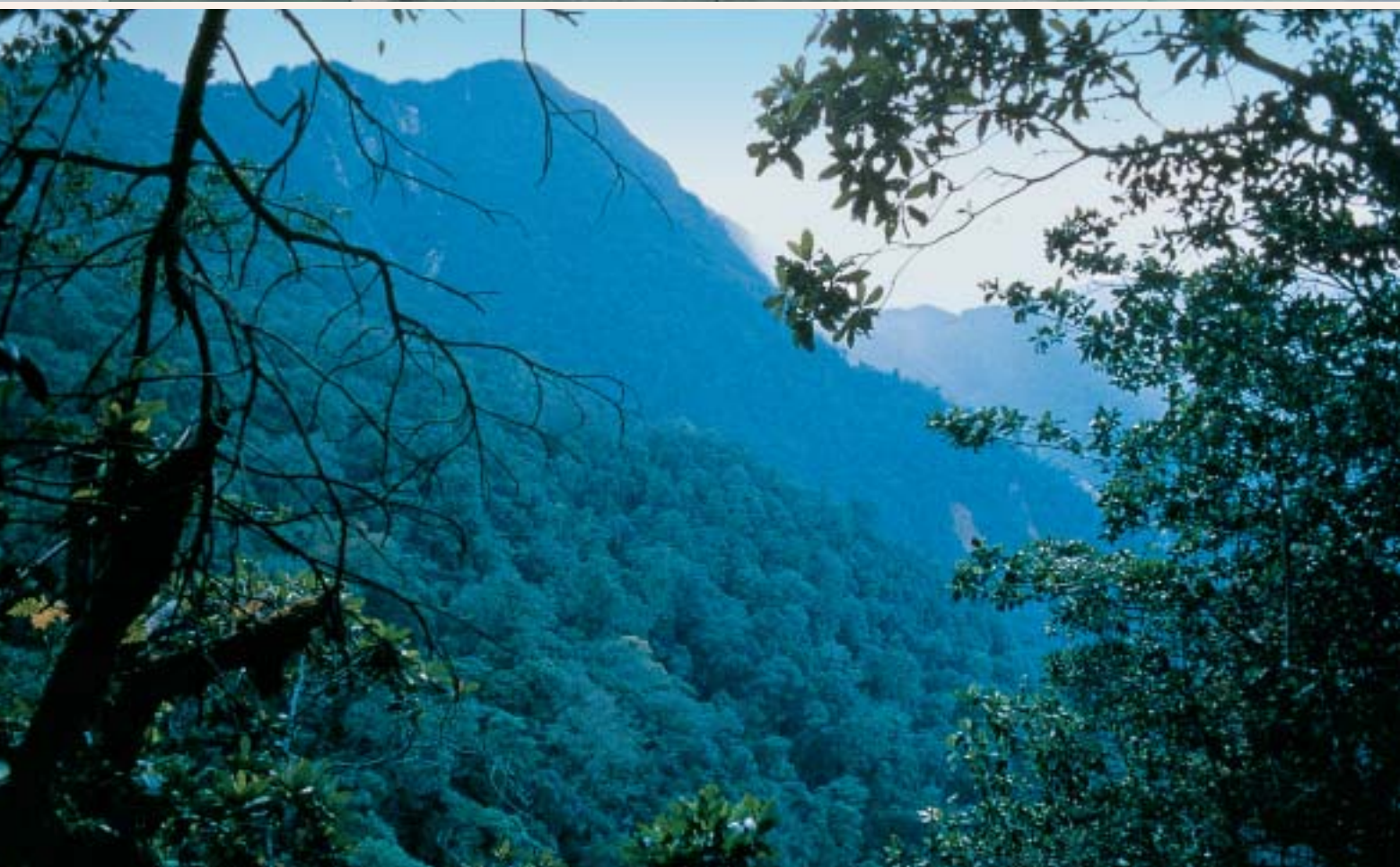
- 23 Creating a Strong Workplace Environment

Starbucks Mission Statement

To establish Starbucks as the premier purveyor of the finest coffee in the world while maintaining our uncompromising principles as we grow.

The following six guiding principles will help us measure the appropriateness of our decisions:

- *Provide a great work environment and treat each other with respect and dignity.*
- *Embrace diversity as an essential component in the way we do business.*
- *Apply the highest standards of excellence to the purchasing, roasting and fresh delivery of our coffee.*
- *Develop enthusiastically satisfied customers all of the time.*
- *Contribute positively to our communities and our environment.*
- *Recognize that profitability is essential to our future success.*



Responsible Business Practices

THE BUSINESS CASE FOR SOCIAL RESPONSIBILITY

Starbucks defines corporate social responsibility as conducting our business in ways that produce social, environmental and economic benefits to the communities in which we operate. In the end, it means being responsible to our stakeholders.

There is growing recognition of the need for corporate accountability. Consumers are demanding more than “product” from their favorite brands. Employees are choosing to work for companies with strong values. Shareholders are more inclined to invest in businesses with outstanding corporate reputations. Quite simply, being socially responsible is not only the right thing to do; it can distinguish a company from its industry peers.

Given that there are positive returns for being a socially responsible company, Starbucks believes it makes sense to view our actions in terms of investments. By investing in sustainable business practices and the origin countries that provide our coffees, we encourage a continued high-quality supply. In the communities where we do business, we invest in local organizations to improve the quality of life. And by investing in our partners, through competitive wage and benefit structures, and opportunity for stock ownership, we have an edge in attracting and retaining qualified, productive employees—and that helps reduce our hiring, training and other turnover costs.

In the end, there is no conflict between doing good and doing well. At Starbucks, we believe the two go together.

SUSTAINABILITY IS ESSENTIAL TO OUR SUCCESS

Coffee is second only to water as the world’s most popular drink, with more than 400 billion cups consumed every year. Coffee is a giant industry employing 20 million people globally, and ranks as the second most traded commodity on the planet after petroleum.

Traditionally, Starbucks has purchased our coffees at premiums over the world’s commodity market prices (or the “New York C,” which is the worldwide reference used by coffee traders for commodity-grade coffee). The premiums we pay vary by the type of coffee, as well as the overall quality of that particular coffee, relative to the quality of “New York C” commodity-grade.

During the past year, a worldwide surplus of coffee has dramatically reduced wholesale prices. At the end of fiscal 2001, prices paid for coffee on the “New York C” had dipped to \$0.48/lb—a level not seen in nearly 30 years.

COMPANY PROFILE

Fiscal 2001—October 2, 2000 to September 30, 2001:

(Information below represents total company unless noted)

Total net revenues: \$2.6 billion

Net earnings: \$181 million

Earnings per share: \$0.46

Total income taxes: \$108 million

Stock price (high/low): \$25/\$14

Number of company-operated locations: 2,971 (North America)

Number of partners (employees): 54,000 (North America)

Location of Starbucks corporate headquarters: Seattle

Opposite page (top)—Starbucks Coffee Company worldwide headquarters, known within the company as the Starbucks Support Center, located in Seattle.

Opposite page (bottom)—El Triunfo Biosphere Reserve, Chiapas, Mexico, where Starbucks Shade Grown Mexico coffee is produced.



Mary Williams, Starbucks senior vice president of coffee, meets with Hector Cortez in the Atitlan region of Guatemala while on one of her many coffee buying trips.

This price drop affects all growers, particularly those with small family farms that produce nearly three-fourths of the world's coffee supply. Starbucks purchases our coffee from many of these small, multigeneration farms, paying premium prices that enable farmers to provide for their families and maintain their family farms. As Starbucks business expands, so does our need for the coffee they grow.

While Starbucks purchases about one percent of the global coffee supply, our purchases are for only the highest quality arabica coffee beans grown in the world. Because of Starbucks exceptionally high standards for quality coffee, one of our most critical needs is to secure a long-term supply of unroasted "green" coffee from the farmers we know and trust. The sustainability of their farms is intrinsically linked to our success.

Starbucks recognizes the importance of helping to ensure that coffee farmers have a sustainable livelihood. To address this challenge, we have moved away from "New York C"-based formula pricing, focusing on several strategies including:

- Securing more contracts based on outright, negotiated prices.
- Negotiating more long-term contracts.
- Increasing the amount of coffee purchased directly from farms and cooperatives.
- Assisting coffee farmers in gaining access to affordable credit.
- Introducing new coffee sourcing guidelines that reward farmers for using sustainable growing practices.
- Offering financial support for health and educational projects that directly benefit farmers and their communities.
- Expanding our sustainable coffee category, "Commitment to Origins," including Shade Grown Mexico and Fair Trade Certified coffees.

SOURCING IN ORIGIN COUNTRIES

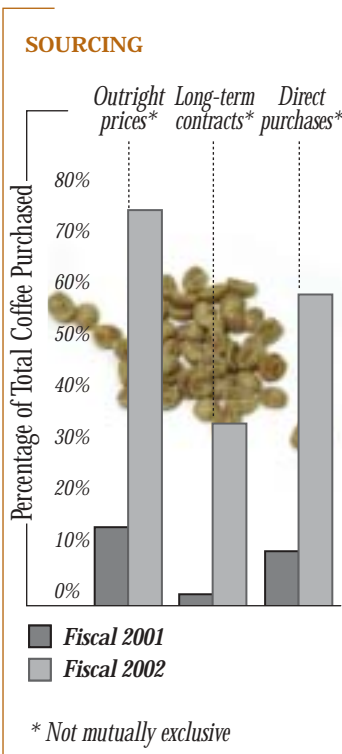
Starbucks helps farmers improve their standard of living while ensuring a sustainable supply of high-quality coffee by purchasing at outright prices, signing long-term contracts and buying directly from farms and cooperatives (co-ops). For the coffee Starbucks purchased in fiscal 2001 and the contracts that Starbucks has negotiated for coffee purchases in fiscal 2002, Starbucks pays an average price of \$1.20 per pound, excluding freight, for green coffee purchased in these ways.

Outright Prices

Coffee prices can be negotiated either at outright prices or in relationship to the prevailing wholesale price. Starbucks preference today is to source coffee at outright prices. This provides stability and predictability for both buyers and sellers. In fiscal 2001, 12 percent of Starbucks coffee supply was purchased at outright prices. For the orders we placed in fiscal 2001 that will be delivered in fiscal 2002, 74 percent of our green coffee will be purchased at outright prices.

Long-Term Contracts

Long-term contracts with suppliers benefit both producers and Starbucks. Farmers are guaranteed attractive prices over multiple crop years, and Starbucks is able to secure future coffee supplies at predictable costs. During fiscal 2001, nearly three percent of Starbucks total supply of coffee was delivered through long-term contracts. For fiscal 2002 delivery, Starbucks has been able to increase the amount of coffee purchased under long-term contracts, negotiated at outright prices, to 31 percent.



Direct Purchasing

Small to midsize farms and co-ops provide most of the coffee beans for Starbucks coffees. We have visited many of these farms and built relationships with the growers. In fiscal 2001, nine percent of our total coffee supply was purchased directly from farms and co-ops, which ensured that more of the purchase price went to the farmers. Of the orders we've placed for fiscal 2002 delivery, 59 percent will be supplied directly from farms and co-ops and negotiated at outright prices.

Access to Credit

Cash flow is a critical issue for small farms. Farmers have little access to credit at competitive rates and are often forced to sell their crops prior to harvest. In fiscal 2001, Starbucks made \$150,000 available through Ecologic Enterprise Ventures and the Conservation International (CI) Foundation to help sustain Mexican coffee farmers with pre- and post-harvest loans. This was augmented with \$250,000 in post-harvest capital from CI's Conservation Enterprise Fund.

In fiscal 2002, Starbucks will help make \$500,000 available to farmers through Ecologic Enterprise Ventures and the CI Foundation. An additional \$1 million will be directed through Calvert Community Investments to provide credit at favorable rates to coffee farmers for their use in quality improvements and capital investments.

Coffee Sourcing Guidelines

At the end of fiscal 2001, Starbucks introduced new coffee sourcing guidelines developed in partnership with The Center for Environmental Leadership in Business, a new division of Conservation International. This represents a first for the coffee industry.

The guidelines involve a flexible point system coupled with financial incentives, rewarding coffee suppliers who meet strict environmental, social, economic and quality standards. Ultimately, coffee suppliers can earn preferred status with our coffee buyers. Because significant changes in origin countries require flexibility and patience, the guidelines are being introduced as a pilot program for the 2002 and 2003 crop years.

SOCIAL INVESTMENTS IN ORIGIN COUNTRIES

One of the guiding principles in Starbucks mission statement is that the company will "contribute positively to our communities and our environment." We're committed to addressing social and environmental issues that affect the people and places that produce our coffees.

Through partnerships with organizations that share our concerns, we're able to make a difference in coffee-origin countries. We make long-term investments, such as building schools, health clinics, and coffee processing facilities to improve the well-being of families in coffee farming communities.

CARE

Our alliance with CARE, a nonprofit international relief and development organization, began in 1991. CARE connects us to parts of the world where our help can directly impact communities and provide needed relief in coffee- and tea-origin countries. In fiscal 2001, Starbucks contributed \$120,000 to CARE. Over the years, Starbucks has contributed or helped raise more than \$1.8 million for CARE programs, and touched the lives of approximately 2.7 million people in Africa, Latin America, and Southeast Asia. Starbucks continues to be one of CARE's largest North American corporate contributors.

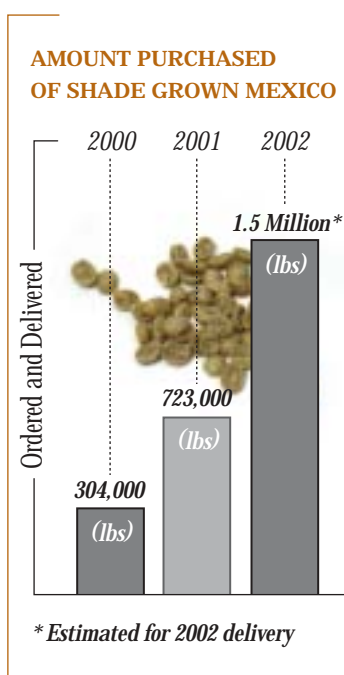
In fiscal 2001, Starbucks helped to provide loans to 516 small family farmers in Chiapas, Mexico. This financing enabled these farmers to sell more than 350,000 pounds of coffee at favorable prices.



In fiscal 2001, Starbucks provided \$43,500 toward building a health clinic and school in Guatemala and a health clinic in East Timor. Here a local Guatemalan doctor examines her patient.



Starbucks retail partner Mathias Eichler stands behind our promotion of Starbucks Shade Grown Mexico coffee.



In fiscal 2001, Starbucks invested \$327,500 in CI's Conservation Coffee program. These funds will help CI develop five new model projects in Latin America, Asia and Africa. This commitment of funds builds on the success Starbucks and CI achieved in Chiapas, Mexico, in preserving areas of high biodiversity and providing economic opportunities for small-scale farmers. In addition, Starbucks president and CEO Orin Smith provides his leadership and expertise to CI as a member of CI's Board of Directors.

COMMITMENT TO ORIGINS

One method to help ensure the social, economic and environmental sustainability of the farms that produce coffee is to purchase organic, Shade Grown Mexico and Fair Trade Certified coffees. These special coffees, which are independently certified or verified as such, are included in Starbucks Commitment to Origins category.

Starbucks Organic Costa Rica is certified and labeled as organic by Eco-Logica, an independent organic certification organization. Organic certification ensures consumers that the coffee has been grown without the use of synthetic chemicals for the prior three years. Due to the lengthy process and the cost of certification, many farmers from whom we purchase don't pursue certification, although their coffee is grown using traditional methods and without the use of herbicides and pesticides.

Starbucks offers Shade Grown Mexico coffee through a partnership with Conservation International and offers Fair Trade Certified coffee as part of our alliance with TransFair USA.

Shade Grown Mexico Coffee

Starbucks and Conservation International (CI) formed a partnership in 1998 to encourage the production of shade-grown coffee using ecologically sound growing practices that help protect biodiversity, and provide economic opportunities for small farmers.

CI has been a tremendous resource in this effort, enabling Starbucks to purchase Shade Grown Mexico coffee through CI's Conservation Coffee Program. In 2000, Starbucks and CI renewed this partnership for another three years at a commitment of at least \$200,000 annually.

Although this is the only coffee that Starbucks identifies as "shade-grown," our coffee buyers estimate that roughly one-third of all Starbucks coffee is traditionally grown under the canopy of shade trees in tropical forests.

As a result of the Starbucks/CI partnership:

- Starbucks offered Shade Grown Mexico coffee through our U.S. company-operated stores and on www.starbucks.com for the third year in a row.
- Farmers supplying Shade Grown Mexico received a 60 percent price premium over local prices for their coffee.
- The amount of shade-grown coffee being exported in 2001 has increased by 50 percent over the previous year.
- Since 1998, coffee-growing land preserved as tropical forests has increased by 220 percent.

Future Starbucks/CI goals include:

- Developing new CI Conservation Coffee projects in places where biodiversity is under severe threat. These include locations in Guatemala and Colombia, and later other coffee-growing regions around the world.
- Expanding the supply of shade-grown coffee to meet consumer demand and ensure year-round availability.
- Engaging leaders from the coffee world to collaborate on industry-wide guidelines for environmental and social quality.

Fair Trade Certified Coffee

In the Fair Trade system, farmers form and participate in democratically run cooperatives that, in turn, may sell their beans directly to importers, roasters and retailers at favorable guaranteed prices. The minimum fair trade price the buyer currently pays for non-organic green coffee is \$1.26/lb and \$1.41/lb for organic green coffee. Consumers are assured when they purchase Fair Trade Certified coffee that the farmers received a guaranteed minimum price for their coffee that helps support a better life for family farmers.

In April 2000, Starbucks signed a historic agreement with TransFair USA, a nonprofit organization that provides independent certification for all Fair Trade coffee in the U.S. Since that time, the number of companies offering Fair Trade coffee has more than tripled. As a result of our partnership with TransFair USA:

- Starbucks agreed to purchase Fair Trade Certified coffee, which meets our quality standards, to fulfill consumer demand.
- Starbucks introduced Fair Trade Certified coffee to our product line on October 4, 2000, with a promotional campaign that included custom packaging, in-store signage, brochures, and information on www.starbucks.com.
- Shortly thereafter, Starbucks expanded the availability of Fair Trade Certified coffee by making it available to our university, hotel and restaurant accounts. Demand tripled for Fair Trade Certified coffee in the university market segment in fiscal 2001.
- In April 2001, Starbucks launched a second five-week promotional campaign to build awareness for Fair Trade Certified coffee and offered it as our “Coffee of the Day” on May 18, 2001, for the first time.
- In fiscal 2001, Starbucks purchased 653,000 pounds of Fair Trade Certified coffee and sold 186,000 pounds of this coffee to our customers under the Fair Trade label.

In September 2001, Starbucks announced the expansion of Starbucks Fair Trade Certified coffee program, with plans to purchase one million pounds of Fair Trade Certified coffee during the next 12 to 18 months that will result in:

- More colleges and universities brewing Fair Trade Certified coffee as their core offering.
- Starbucks U.S. company-operated stores brewing Fair Trade Certified coffee as the “Coffee of the Day” once a month beginning in spring 2002.
- The introduction of Fair Trade Certified coffee in Canada and the international markets where we do business.



Starbucks packaged Fair Trade Coffee, which can be purchased in our company-operated U.S. stores and on www.starbucks.com.

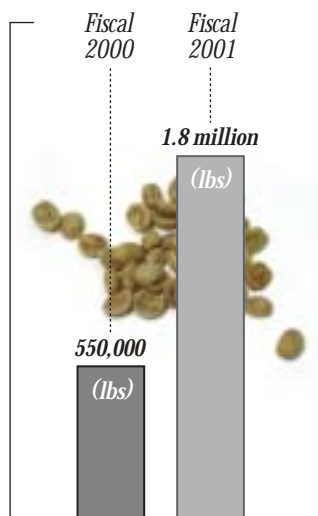
Starbucks Environmental Mission Statement

Starbucks is committed to a role of environmental leadership in all facets of our business.

We will fulfill this mission by a commitment to:

- *Understanding environmental issues and sharing information with our partners.*
- *Developing innovative and flexible solutions to bring about change.*
- *Striving to buy, sell and use environmentally friendly products.*
- *Recognizing that fiscal responsibility is essential to our environmental future.*
- *Instilling environmental responsibility as a corporate value.*
- *Measuring and monitoring our progress for each project.*
- *Encouraging all partners to share in our mission.*

COFFEE PURCHASED



Shade Grown Mexico, Fair Trade Certified, and Starbucks Organic Costa Rica Coffees

MINIMIZING OUR ENVIRONMENTAL IMPACT

In 1992, Starbucks became a publicly traded company. Shortly thereafter, a cross-functional team of Starbucks partners adopted an environmental mission statement. What evolved was an Environmental Affairs team that seeks to develop environmentally responsible policies and procedures. As new environmental issues arise, this group examines our current measures and identifies opportunities for improvement.

Environmental Footprint Analysis

To determine our environmental impact, or “footprint,” as a company, in fiscal 2001 Starbucks worked with The Natural Step, a nonprofit consulting and education group helping organizations take steps toward sustainability. We analyzed Starbucks supply chain—from coffee bean to coffee cup—looking for opportunities to make our footprint smaller.

Throughout the process, we focused on achievable measures that could significantly reduce our footprint or environmental impact. Some solutions were obvious, such as addressing packaging, energy, waste, and recycling issues. Other measures are more challenging but necessary if we are serious about demonstrating environmental leadership.

Thus, our efforts are focused on four areas:

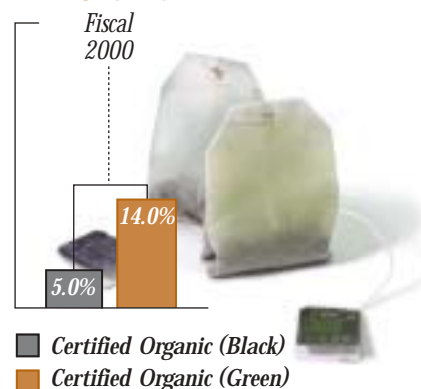
- Coffee, tea and paper sourcing
- Transportation impacts (people and goods)
- Electricity, gas and water use
- Store design and operations

Starbucks identified ways to measure our performance for each focus area and developed specific initiatives to improve our resource efficiency. The data captured at the end of fiscal 2000 serves as our baseline.

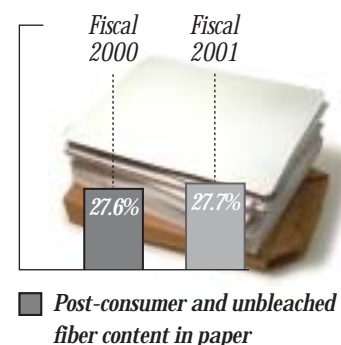
Sourcing

Environmental impacts associated with sourcing coffee, tea and paper include damage to forests caused by growing coffee, the use of pesticides and herbicides in coffee and tea production, and the waste generated from paper production, just to name a few. For coffee, the performance metric we use is expressed in the number of pounds we purchase of sustainable coffees—Starbucks Organic Certified Costa Rica, Shade Grown Mexico and Fair Trade Certified. For tea, the performance

TEA PURCHASED



PAPER FIBER PURCHASED



metric we use is the percentage of organic tea we purchase of our total tea purchases. And for paper, we measure the amount of post-consumer and unbleached fiber content in paper as a percentage of all the paper fiber we purchase.

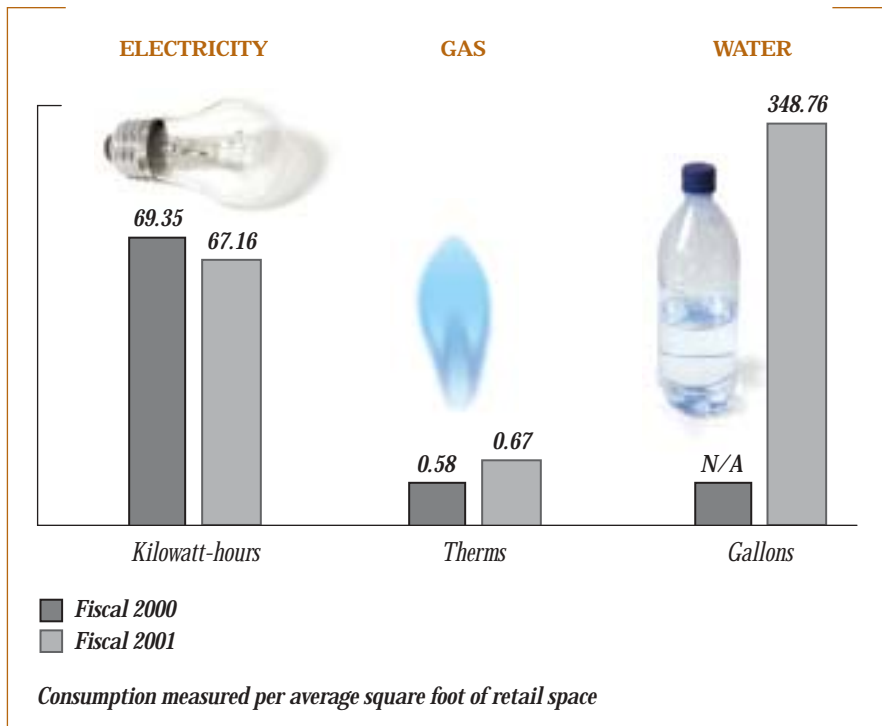
Transportation

The burning of fossil fuels while transporting raw materials, products and people is a significant contributor to global warming and other environmental concerns. Our present focus is on improving fuel efficiency for the modest fleet of shuttle vans, trucks and other vehicles Starbucks owns and operates. The metric used is the average miles per gallon (mpg) for our company-owned fleet. Our baseline is 17.48 mpg.

Several years ago we established the Transportation Options Program (TOP) to help our partners find commuting alternatives to and from Starbucks headquarters. The program provides subsidies to partners who use commuting alternatives in an effort to reduce traffic congestion, air pollution and minimize other environmental impacts associated with driving cars. Approximately 500 of our 2000 corporate Starbucks partners used alternative commuting options such as biking, carpooling or public transit in fiscal 2001. Starbucks received King County's local Commuter Challenge Diamond Award for our efforts to promote carpooling to work at our Seattle-based headquarters in January 2001.

Energy and Water Consumption

Our North American company-operated retail stores represent the majority of our energy and water use, so that's where we are directing most of our conservation efforts. To measure the efficiency of our energy and water usage, we gathered information from a sample of stores where data was available. After gathering the data, we used several performance metrics that, collectively, gave us reliable feedback and control for other factors. In the graph below, our consumption is reported using just one of these metrics—average retail square footage.





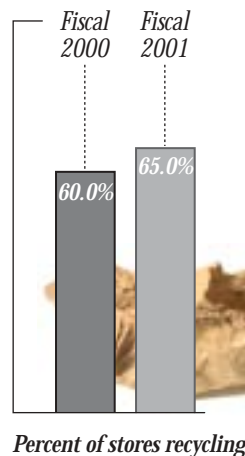
In fiscal 2001, Starbucks customers used commuter mugs nearly 12 million times, conserving enough paper cups that, when lined up, would stretch nearly 1,000 miles, from Chicago to Dallas. By not using paper cups, it also eliminated 508,000 pounds of landfill waste.

It is difficult to draw conclusions from data that was just collected over two years. We plan to track our consumption levels annually and in fiscal 2002, we will investigate opportunities to improve the efficiency of our energy and water usage by reviewing our store design specifications. We expect that systemic changes to our mechanical and equipment design specifications will improve energy and water efficiency.

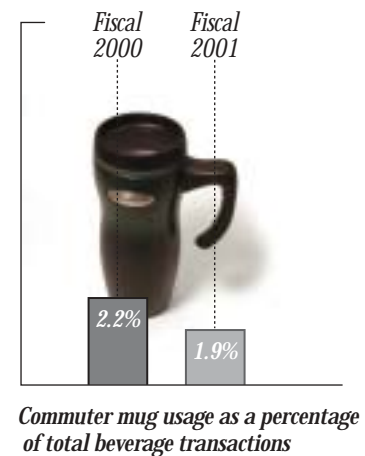
Store Design and Operations

It is not only how Starbucks operates our stores that determines our environmental impact, but also how we build them—and the materials we use in the interior construction. In 2000, we joined the U.S. Green Building Council (USGBC). Currently, we are evaluating specifications for materials used to build our store interiors against the USGBC's Leadership in Energy and Environmental Design (LEED) standards. In the meantime, our footprint analysis targeted two waste-reduction tactics: store recycling and use of commuter mugs in place of paper cups.

STORE RECYCLING



COMMUTER MUGS



Our store recycling metric measures the percentage of stores with established recycling programs. Starbucks goal is to offer recycling in all of our company-operated stores. Achieving this goal is determined by the availability of commercial recycling services in each community, and the support of our property managers. In fiscal 2002, we will collaborate with other like-minded retailers to encourage our mutual property managers' participation in recycling programs. For commuter mug usage, we measured the percentage of beverages served in reusable commuter mugs against fiscal 2000. Although Starbucks provides a \$0.10 commuter mug incentive discount to customers, our data indicated a decline in usage. In fiscal 2002, we will take measures to raise awareness of this waste reduction opportunity to our partners and customers.

Embracing Change

The key to fulfilling our environmental mission rests on our ability to make changes within our operations. With the commitment of Starbucks senior leadership team to make meaningful progress, and the adoption of an action plan that is communicated throughout our organization, Starbucks is moving in a direction that will minimize our environmental footprint.

Another important step Starbucks has taken is to cultivate an active “Green Team,” which consists of retail store managers across North America. The Team was created in 1994 and has been instrumental in identifying environmental opportunities, creating solutions, and communicating those solutions to our retail partners. The Green Team’s efforts have been critical to our efforts to conserve energy, reduce waste and involve our partners.

Some of our initiatives for fiscal 2001 included the following:

Energy Conservation

Starbucks established a Utility Task Force in fiscal 1999 to identify conservation measures, such as modified lighting and adjusted thermostats. In fiscal 2001, the Utility Task Force piloted several measures aimed at conserving energy while providing cost savings. We rolled out the Utility Task Force’s recommendations in our North American company-operated stores at the end of fiscal 2001.

Waste Reduction

Starbucks Green Team first promoted the idea of offering coffee grounds as compost in spring 1998, and now it is an annual event. This initiative has helped reduce waste in our stores and provided many customers with nitrogen-rich material for their gardens.

Earth Day

To celebrate Earth Day 2001, last April more than 600 Starbucks partners contributed nearly 3,000 volunteer hours helping to improve the environment. For Earth Day 2002, Starbucks will support the Earth Day Network (www.earthday.net), an on-line resource for environmental information and opportunities to get involved on a local level around the world. We will raise awareness about this valuable resource to our partners and customers who seek to get involved in their communities.

WORKING WITH OUR SUPPLIERS

We seek suppliers who share our values, as stated in our mission statement and guiding principles, and who operate their businesses accordingly.

Environmental Guidelines

Key suppliers receive the Starbucks Supplier Handbook, which encourages them to adhere to Starbucks environmental mission statement and environmental purchasing policy. Moreover, we ask our suppliers to:

- Provide products “fit for use” and avoid over-engineered products.
- Provide the most energy-efficient products within their category.
- Eliminate excessive packaging.
- Incorporate paperless administration systems whenever possible.
- Adopt techniques that maximize the efficiency of wood use in product design or building construction.

Starbucks requests that suppliers submit information pertaining to our expectations and requirements as stated in our handbook. Starbucks staff or a designated third party may also conduct a plant audit of a supplier’s facilities.

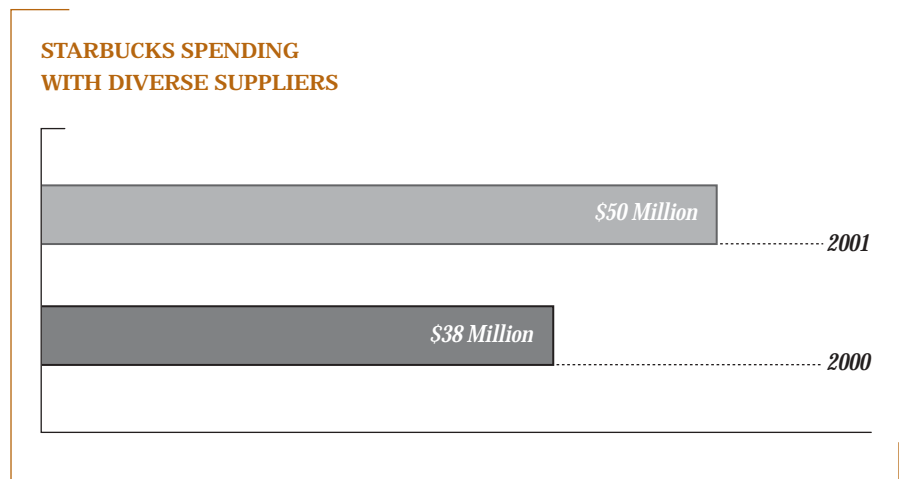
Starbucks Environmental Purchasing Policy

- Meet all relevant regulatory standards.
- Seek to purchase environmentally friendly products in use and manufacture.
- Seek to purchase products that are easily recyclable in most communities.
- Seek to purchase products that contain the highest percentage of post-consumer recycled materials. Paper should have a minimum of 20% post-consumer recycled content.
- Seek to maximize our use of wood and paper products derived from certified, well-managed forests as determined by standards endorsed by the Forest Stewardship Council.

Building a Diverse Network of Suppliers

Starbucks embraces diversity as one of our core values. Since 1996, we have engaged in supplier diversity efforts to actively build a broad, efficient supplier network of businesses owned by minorities and women. During fiscal 2001, Starbucks served on the Northwest Minority Business Council, which is the local chapter of the National Minority Supplier Development Council.

For fiscal 2001, Starbucks estimates it spent \$50 million with certified and non-certified businesses owned by minorities or women. This number represents a 32 percent increase over fiscal 2000 estimated spending. Suppliers can be certified through the National Minority Supplier Development Council and the National Women Business Owners Corporation. Certification ensures their status as diverse suppliers and improves our tracking and reporting on the amount of business we are doing with companies owned by minorities and women.



Initiatives for Fiscal 2002

For the next fiscal year, Starbucks is pursuing three initiatives regarding suppliers. These are:

- Updating our “non-coffee” sourcing guidelines, including introducing a supplier Code of Conduct.
- Assigning accountability for supplier diversity to one of Starbucks procurement leaders.
- Encouraging all of our suppliers that are owned by minorities and women to become certified.

LISTENING TO OUR STAKEHOLDERS

During fiscal 2001, we heard concerns from our customers and shareholders about two particular issues: the presence of genetically modified material in our products, and the ubiquity of our stores.

Genetically Modified Material

In March 2001, activists and some customers raised questions regarding the presence of genetically modified (GM) material in some of the products we sell, including synthetic hormones in the milk we purchase from local dairies. As a company committed to providing the highest quality coffees, teas and foods, we take these issues seriously.

Although there is a great deal of controversy regarding genetic modification of food, our company does not possess the scientific expertise required to establish credible opinions regarding GM materials in products.

Starbucks has confirmed that our core products, coffee and tea, are not genetically modified, and we have no intention to buy or sell genetically engineered coffees or teas. Regarding the current research on genetic modification of coffee to increase crop yields, we see no reason to pursue this technology and do not plan to support its development. In addition, the soy milk we purchase for our stores is certified as GM material-free. And we have reviewed our other products and found the majority are GM material-free as well.

Starbucks maintains the position that if our customers are concerned about genetically modified material, we will act responsibly to address our customers' needs by developing feasible alternatives. In Seattle and Portland, Oregon, at the end of fiscal 2001, Starbucks launched a test of baked goods made with organic ingredients. The results of this test will be evaluated.

The issue involving milk is the use of the synthetic hormone, rBST (recombinant bovine somatotropin), to increase milk production in cows. Because milk is not labeled to indicate the presence of rBST, Starbucks believes the best way to address customer concerns is to provide an alternative. In July 2001, Starbucks began offering certified organic milk, which is rBST-free, upon request in our company-owned U.S. stores.

Starbucks Growth

Starbucks opened 525 of our 2,971 company-operated stores in North America in fiscal 2001. Many of these locations were opened in areas previously not served by Starbucks. We opened other locations in communities where Starbucks already has a strong presence. And it may seem curious, but sometimes we opened new stores within close proximity to other Starbucks locations.

Our decisions about where to site our stores depend on reaching our potential customers and providing better service to our existing customers. Like every successful retailer, we take a straightforward approach to store siting, basing our decisions on demographics and traffic measures. When we open a new store near an established Starbucks, it is generally intended to relieve long customer lines and improve service.

It takes more than just a prime location to be successful. Attracting customers to our stores, we believe, happens by providing high-quality coffee as well as creating inviting, comfortable places that are conveniently located. When we enter new neighborhoods or communities, we do so with care and consideration, striving to create places that add to the spirit of each community.

The U.S. does not require labeling of the presence of genetically modified ingredients where the changes brought about by biotechnology result in a product that is substantially equivalent to the non-bioengineered product. In the U.S., the use of genetically modified seeds is significant. It is estimated that 26 percent of the corn and 68 percent of the soybeans presently grown in this country are from genetically engineered seeds. (Source: National Agricultural Statistics Service of the USDA)

rBST is used in only about one-third of U.S. dairy herds, but because milk from many herds is combined in the process of storage and distribution, less than five percent of all milk can be verified as coming from cows not treated with rBST. Milk from herds not treated with rBST must be segregated throughout the collection and processing system to be guaranteed rBST-free. Moreover, an analytical test to screen for the presence of rBST does not exist, making verification of rBST-free dairy products almost impossible.



The outside view of Starbucks Belltown store in downtown Seattle is an example of creating a Starbucks store while maintaining the architectural elements reflected in this neighborhood.

In 1998, basketball great Earvin “Magic” Johnson’s company, Johnson Development Corporation, and Starbucks formed a joint venture partnership called Urban Coffee Opportunities, LLC (UCO) to place Starbucks Coffee locations in underserved urban communities throughout the U.S. The joint venture has not only helped Starbucks reach more customers, it has provided employment to local residents, as well as helped to strengthen the economies of the communities in which the UCO stores operate. By the end of fiscal 2001, 28 UCO stores were operating in the U.S.

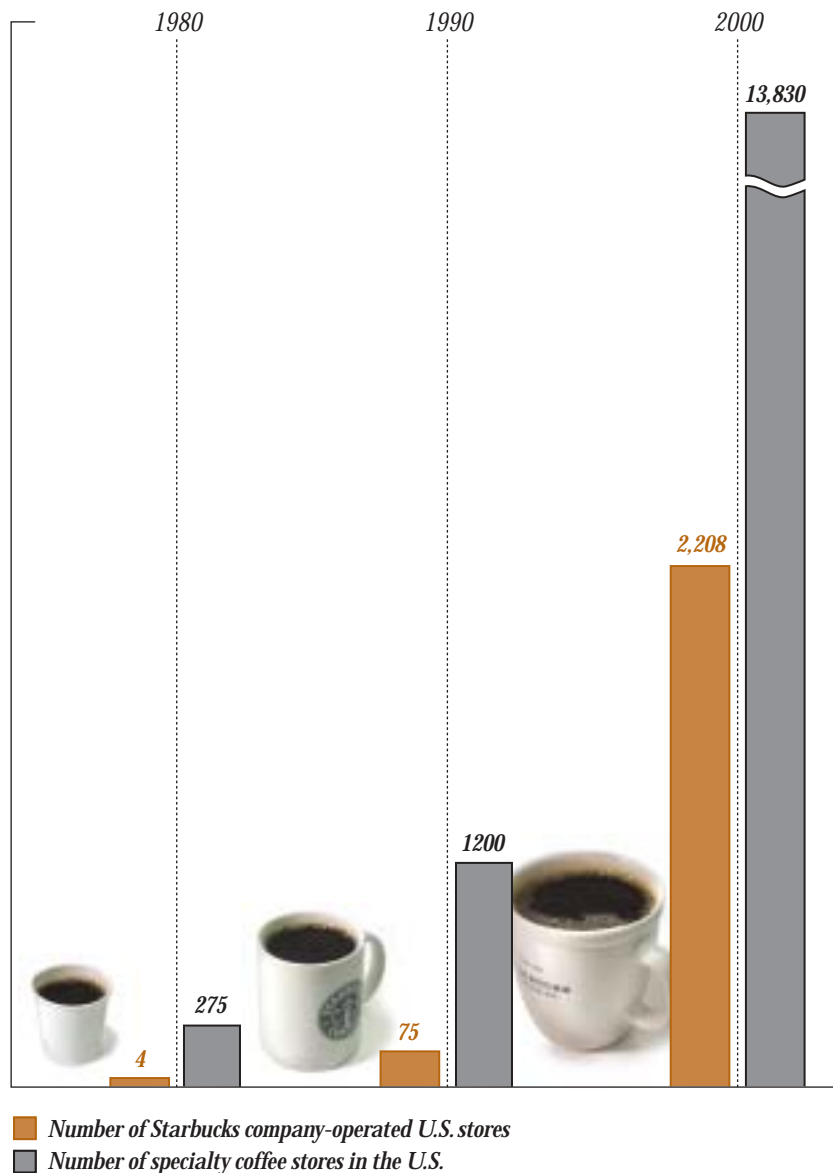
After selecting a new site and negotiating the lease for the best possible terms, our architects study the local neighborhood and try to reflect its character into the store’s design. Before the store opens, our new manager relies on Starbucks Community Tool Kit as a guide in reaching out to community leaders to learn about important neighborhood issues and providing support for local charitable causes. These measures have helped make Starbucks a welcome neighbor throughout North America.

For some communities, like Columbia-Tusculum’s business district in Cincinnati, Ohio, the opening of a new Starbucks store is seen as a positive sign when an area is undergoing revitalization. Starbucks presence is perceived as a signal that other businesses will follow our lead. As John Van Volkenburgh, a management consultant and former director of the Columbia-Tusculum Economic Development Corp. stated in the *Cincinnati Post* on March 30, 2000, “A new Starbucks is evidence the area is ripe for redevelopment. It’s yet another step in the right direction.”



In addition, while many national retailers avoid underserved urban neighborhoods (thus denying local residents potential jobs and services), Starbucks formed a joint venture with Johnson Development Corporation, a company formed by Earvin “Magic” Johnson, to specifically serve these areas.

GROWTH OF THE SPECIALTY COFFEE INDUSTRY IN THE U.S.



Source: Starbucks Coffee Company and Specialty Coffee Association of America

We believe the growth of Starbucks has created employment and business opportunities within the specialty coffee industry. According to the Specialty Coffee Association of America, 275 coffee cafes and bean retailers existed in 1980, of which a few belonged to Starbucks. Twenty years later, the specialty coffee industry has created tens of thousands of jobs in nearly 14,000 coffee cafes and bean retailers, of which 16 percent belong to Starbucks.



Investing in Our Communities

PART OF THE NEIGHBORHOOD

At the end of fiscal 2001, Starbucks was serving nearly 16 million customers weekly in 23 countries. Many people use our coffeehouses to get together with friends or colleagues, or host meetings with local organizations and book clubs, or just to sit and relax. We are proud and honored to welcome them as our guests. Providing a comfortable, relaxed environment that serves as a neighborhood gathering place is just one way Starbucks enriches the quality of life in our communities.

At all levels within our organization, Starbucks partners strive to be good neighbors and active contributors in the communities where we live and work. It's part of the Starbucks culture.

We recognize the relationship between the success of our company and the strength and vitality of the communities where we operate. Investing in our communities is not only the right thing to do; it also creates better places for all of us.

We make community investments through:

- Corporate cash contributions
- In-kind donations
- The Starbucks Foundation

To Starbucks Store Manager Kelli Caires, creating a community-gathering place in Orange, California means making everyone feel welcome. When Kelli noticed her store's clientele included a small group of hearing-impaired customers, she enlisted help from two partners familiar with American Sign Language (ASL). Together, they devised a customer service system to meet their customers' needs. As word spread of this service, the 25 to 30 hearing-impaired regular customers grew to hundreds. Later, Kelli set up an eight-week ASL course for approximately 30 interested customers and Starbucks partners.

STARBUCKS COFFEE COMPANY'S TOTAL CHARITABLE CONTRIBUTIONS



Opposite page (top)—Customers come to Starbucks to enjoy their favorite coffee beverages and to take a moment to visit with others or just relax.

(bottom)—Literature for All of Us participants read samplings of their original poetry at a Starbucks store in Evanston, Illinois. The Starbucks Foundation provided funding to Literature for All of Us, a nonprofit organization promoting literature as a tool for expression to girls and women in underserved communities.

COMMUNITY INVESTMENTS

In fiscal 2001, Starbucks corporate cash contributions to nonprofit organizations totaled \$3.4 million, plus an additional \$1.3 million that Starbucks contributed to The Starbucks Foundation. Our corporate contributions are focused on a number of company-wide initiatives, as well as supporting our partners' involvement in their communities, enriching community life in regions across North America, and creating special community stores. All of the contributions made by Starbucks reflect our commitment to our partners, communities and business practices.

Company-wide Initiatives

Starbucks has developed partnerships with organizations that support the people and places that grow our coffee and tea, such as Conservation International and CARE. We have launched initiatives to collect books and toys for children, and to help the victims of September 11th. We have also created programs to encourage our partners to be involved in their communities. A few examples of Starbucks company-wide initiatives include:

Conservation International (CI)

CI shares our commitment to preserve environmentally sensitive areas and provide economic opportunities for small family farmers in coffee-origin countries. In fiscal 2001, Starbucks invested \$327,500 in CI as part of a three-year investment to provide a minimum of \$600,000.

CARE

Our 10-year alliance with CARE enables us to support coffee- and tea-origin countries where our help is used to improve the quality of life for local residents. In fiscal 2001, Starbucks invested \$120,000 in CARE for ongoing programs.

Starbucks Cares

Starbucks Cares is a special fund that was created in response to the terrorist attacks on September 11, 2001. Starbucks donated \$1 million to Starbucks Cares in fiscal 2001. In the weeks following September 11, an additional \$1.7 million was contributed by our partners, customers and business partners, mostly through drop boxes in Starbucks company-operated stores in North America. The funds raised through Starbucks Cares were donated to The September 11th Fund, created by The New York Community Trust and United Way of New York.

In addition to our cash contribution, Starbucks also contributed coffee and related products to support the rescue and relief efforts in New York, Washington, D.C., and Pennsylvania.

Calvert Community Investments

Starbucks launched a new partnership with Calvert Community Investments in fiscal 2001 to manage a \$150,000 initial investment that will support various community projects in North America.

All Books for Children

To support our literacy efforts, Starbucks collects books through our annual All Books for Children drive and distributes them to more than 180 literacy organizations across North America. Since 1997, nearly 1.5 million books, including 416,000 in fiscal 2001, have been collected in our stores from partners and community members.



Howard Schultz, Starbucks chairman and chief global strategist, showed his support for literacy by participating in an All Books for Children event in Chicago.

Starbucks Holiday Angels Toy Drive

During fiscal 2001, Starbucks launched our first annual North American holiday giving program in which customers and partners generously donated approximately 87,000 toys for needy children.

Partner Community Involvement

We believe one of the most important ways we can have a positive impact on our communities is to foster the value of community involvement in our partners. That is why we encourage Starbucks partners to volunteer their time and make charitable gifts to organizations in their own communities.

Make Your Mark

Make Your Mark is our way of educating and inspiring our partners to volunteer their time. The Make Your Mark program launched in fiscal 2000. It rewards the efforts of partners by making cash contributions to the nonprofit organizations where they volunteer. In fiscal 2001, partners volunteered 12,700 hours for local organizations through Make Your Mark. To match their volunteer hours, Starbucks contributed more than \$70,000 to these organizations.

Choose to Give!

Starbucks encourages charitable giving through our gift matching program, Choose to Give!—which matches partners' charitable gifts up to \$1,000 annually. In fiscal 2001, Starbucks partners contributed more than \$400,000 to organizations of their choice, and Choose to Give! provided \$175,000 through the corporate match.

Executive Involvement

Starbucks believes our senior executives can set great examples for our partners by lending their expertise and experience to community organizations. When they serve as board members of nonprofit organizations, Starbucks makes financial contributions to the organizations in support of their efforts. In fiscal 2001, one-third of Starbucks executives served as board members of various nonprofit organizations.

Regional Donations

Starbucks encourages our stores to engage with their local communities in meaningful ways. Store managers have the flexibility to support neighborhood nonprofit organizations through cash contributions and volunteering. Our regional offices also seek ways to support community organizations through sponsorships and product donations for special events.

In fiscal 2001, Starbucks launched several focused initiatives in local communities where we have a strong retail presence and a large workforce. Examples include:

Neighborhood Park Grants

In fiscal 2001, Starbucks Neighborhood Park Grants program made 10 grants, totaling \$100,000, to grassroots volunteer organizations working to create safe and welcoming gathering places for members of the Seattle community.

San Francisco Bay Area Grants for Giving

In spring 2001, Starbucks established the San Francisco Bay Area Grants for Giving program, which enlisted community members to help Starbucks direct \$420,000 to the local community for youth, literacy, AIDS and homeless initiatives.



The launch of Starbucks fiscal 2002 Holiday Angels Toy Drive, benefiting the Starlight Children's Foundation, got off to a great start in Washington, D.C. when it was featured on the popular radio show, DC101's Elliot in the Morning. Local D.C. Starbucks stores donated a portion of the proceeds from seasonal sales of Gingerbread Lattes each Wednesday during the holiday season. From left, Laurie Crosley and "Star" of the Starlight Children's Foundation; Flounder from DC101's Elliot in the Morning; Starbucks partner Catherine Gherardi.



Starbucks partner Kelly Hewitt joined her fellow co-workers to help beautify an area of Seattle during United Way's annual Day of Caring.

Special Community Stores

Starbucks has several stores that are aligned with specific causes or charitable partners, and plans are underway to initiate more community stores in fiscal 2003. Examples of our community stores include:

Georgetown Store

A memorial fund was established in Washington, D.C. in 1997 in honor of three Starbucks partners who were killed in a robbery at the Starbucks Georgetown store. The annual gift to the Starbucks Memorial Fund is based on the net profits from the Georgetown store, or a minimum of \$75,000. The fund is managed by The Community Foundation for the National Capital Region, and all contributions made from this fund are designated for violence prevention and victim assistance programs in the Washington, D.C. area.

Seattle Rainier Avenue Store

Zion Preparatory Academy is a private elementary and secondary school primarily serving the African-American community in Seattle. Since 1995, Starbucks has contributed \$50,000 annually to help the school meet the needs of its students. This contribution is funded primarily through profits of the Rainier Avenue Starbucks, located in a multiracial neighborhood not far from the school. Our present commitment extends through 2003.

In-Kind Donations

The estimated value of our in-kind product donations was \$2.9 million for fiscal 2001. Our in-kind donations include the support we provide to many nonprofit community organizations with product donations for their fundraising auctions, luncheons, dinners and special events.

We also encourage our stores to donate unsold baked goods on a daily basis and perishable whole bean coffee on a weekly basis to local charities. We donate overstocks of perishable and non-perishable goods to local and national organizations that, in turn, provide these products to community groups.

THE STARBUCKS FOUNDATION

Starbucks chairman and chief global strategist Howard Schultz has made literacy a top philanthropic priority. His commitment to provide educational opportunities to traditionally underserved communities inspired the creation of The Starbucks Foundation in 1997. The goal of the Foundation is to support the power of literacy to change lives, foster hope and involve parents in creating a better future for their children.

The Starbucks Foundation is a separate entity from Starbucks Coffee Company. Funding for the Foundation has come mostly from Starbucks Coffee Company, and also from individual donations and Howard Schultz's royalties from his book, *Pour Your Heart Into It: How Starbucks Built a Company One Cup at a Time*. In fiscal 2001, Starbucks Coffee Company donated \$1.3 million to the Foundation.

Making Grants

The Foundation provides funding to nonprofit literacy organizations located in communities across North America where Starbucks has stores. Since 1997, the Foundation made 485 grants totaling \$4.3 million; more than one-third of this amount (\$1.6 million) was donated in fiscal 2001.

The Foundation makes "Opportunity Grants" of up to \$10,000 to organizations that:

- Serve low-income, at-risk children and youth.
- Involve the parents of children receiving services in the process.
- Utilize significant volunteer resources.
- Demonstrate an established relationship with a Starbucks store or our partners.

Jumpstart

In April 2001, The Starbucks Foundation announced a partnership with Jumpstart, a nonprofit organization that pairs AmeriCorps college student tutors with HeadStart preschoolers who need extra help. Jumpstart's program has demonstrated that early intervention with at-risk children is very effective at preparing future kindergartners for reading and learning.

The Foundation contributed \$250,000 in fiscal 2001 to Jumpstart, part of a \$1 million, four-year pledge to help Jumpstart expand to serve more children in more U.S. communities.

Involving Starbucks Partners

When Starbucks partners volunteer their time with literacy organizations, The Starbucks Foundation will often provide funding to those organizations. That's why the Foundation works closely with Starbucks Coffee Company to encourage partners to apply for Opportunity Grants on behalf of literacy organizations where they volunteer. All Opportunity Grants are made to organizations with partner involvement.

BookPALS is a national volunteer literacy program of the Screen Actors Guild Foundation. BookPALS promotes the love of reading and learning by engaging professional actors and other volunteers to read to young students in high-risk, disadvantaged schools. Last year, Starbucks partners in Phoenix volunteered as BookPALS readers, adding to the \$34,600 support BookPALS received from The Starbucks Foundation.

AMERICA SCORES was founded in 1994 in Washington, D.C. by Julie Kennedy, a public school teacher who also worked as a Starbucks barista. Julie saw her students needed a safe, structured after-school environment, which led her to teach them soccer and creative writing. In total, AMERICA SCORES programs in D.C., Boston, New York, Denver and Seattle received \$136,000 from The Starbucks Foundation, as well as volunteer support from Starbucks partners in those communities.

The Seattle Public Library Foundation received \$125,000 from The Starbucks Foundation in fiscal 2001 as part of our four-year \$500,000 commitment to fund the Literacy Outreach Program. Starbucks chairman and chief global strategist Howard Schultz is also assisting in the Library's fundraising efforts by serving as the co-chair of the Community Campaign for Neighborhood Libraries. Seattle Public Library is working to improve or replace 22 neighborhood libraries, build five new libraries in neighborhoods that currently don't have one, and build a new Central Library.



Investing in Our Partners

CREATING A STRONG WORKPLACE ENVIRONMENT

The story behind Starbucks is more than just phenomenal growth. It's also a testament to what can happen when a company is led by strong values. We place our greatest emphasis on creating a workplace environment that engages, inspires and rewards our partners. The commitment to do this begins with our leaders at Starbucks and extends throughout our organization.

Being committed to creating a strong workplace environment is the first step. However, we know that to be competitive we must continually strive to improve our workplace environment and how we reward our partners. In fiscal 2001, Starbucks developed new strategies to enable us to maintain a competitive edge in the marketplace. These strategies are focused on:

- Strengthening our position as an "Employer of Choice" by actively researching, planning and developing programs, projects and initiatives that help attract and retain top talent.
- Re-inventing our approach to human resources so we can better support Starbucks growth and our business objectives by supporting our partners; developing stronger internal communications; upholding our culture and values; and functioning in a cost-effective manner.

Through our Employer of Choice and re-invention process, we have evaluated and analyzed many current and potential programs for our partners. We have already made some changes, and continue to find ways that enable us to meet our partners' needs. Our efforts to create a positive workplace environment that inspires and rewards Starbucks partners include:

- Providing benefits to eligible part-time and full-time partners.
- Treating partners with respect.
- Expanding the diversity of our workforce.
- Supporting partners in times of need.

"Looking back now, I have a lot of respect for my dad. He never finished high school, but he was an honest man who worked hard. He sometimes had to take on two or three jobs just to put food on the table. He cared a lot about his three kids, and played ball with us on weekends. He loved the Yankees.

"But he was a beaten man. In a series of blue-collar jobs – truck driver, factory worker, cab driver – he never made as much as \$20,000 a year, never could afford to own his own home.

"I tried to make Starbucks the kind of company I wish my dad had worked for. Without even a high school diploma, he probably could never have been an executive. But if he had landed a job in one of our stores or roasting plants, he wouldn't have quit in frustration because the company didn't value him. He would have had good health benefits, stock options, and an atmosphere in which his suggestions or complaints would receive a prompt, respectful response."

—Starbucks chairman and chief global strategist Howard Schultz, *Pour Your Heart Into It: How Starbucks Built a Company One Cup at a Time*

Opposite page (top)—Starbucks retail partner Stacy Gallagher prepares her customer's beverage and tops it with a drizzle of caramel.

(bottom)—Fumi Watanabe, a designer for Starbucks, approaches her creative work with enthusiasm and passion.



A customer transaction elicits a smile from Starbucks retail partner Tyneshia Broussard.

One of the many events Starbucks attended in fiscal 2001 was the NAACP Diversity Job Fair, held on February 5, 2001 at the World Congress Center in Atlanta, Georgia. More than 1,000 job seekers were in attendance.

Starbucks Benefits

Starbucks provides health, dental and vision insurance and other benefits to all eligible full-time and part-time (20 hours per week) partners. Some of our benefits include:

- Future Roast 401(k) and RRSP, our savings plans.
- Health care coverage for alternative health services.
- Health care coverage for domestic partners.
- Income protection when a partner is unable to work due to illness or injury.
- Adoption assistance of up to \$3,000 for partners who choose to adopt children.
- *Bean Stock*, our company-wide stock option plan.
- S.I.P. (Stock Investment Plan), our discounted employee stock purchase plan.

Treating Partners with Respect

Starbucks emphasizes an inclusive workplace with a variety of opportunities for partners to share ideas and concerns with senior management. Periodically, Starbucks president and CEO Orin Smith and other Starbucks leaders conduct Open Forums where partners can share ideas or ask questions. Our regional markets also conduct their own local meetings between management and partners. In addition, all partners who have concerns about how the company is living up to our mission statement can voice their questions or suggestions to management in writing through Starbucks "Mission Review" process. All submissions to Mission Review are evaluated and receive follow-up responses.

Partners wishing to voice concerns about actions of their co-workers or the business policies and practices of Starbucks can call our 24-hour Starbucks Helpline. Partners who call the Helpline, anonymously if they wish, are interviewed by non-company personnel, and a confidential report is then prepared and forwarded for investigation and executive attention. The Starbucks Helpline is part of our general Compliance Program, designed to implement and assure compliance with our Standards of Business Conduct.

Partners are recognized for their achievements. Starbucks has more than 30 award programs in place, such as the "Manager of the Year," which recognizes outstanding performance on the retail level, and the "Spirit of Starbucks," which specifically recognizes outstanding partners who exemplify Starbucks mission statement.

Embracing Diversity

At Starbucks, diversity is an essential component of the way we do business. Attracting and retaining a work force that reflects the communities where we do business is key to our success. Starbucks believes so strongly in embracing diversity that it appears as one of our six guiding principles in our mission statement.

To find outstanding partners, Starbucks directs some of our retail recruitment efforts at the regional level, where we can participate in local job fairs and work directly with particular communities to ensure a diverse candidate pool.

Starbucks has been progressive in supporting our gay and lesbian partners. Our diversity training pays special attention to sexual orientation issues, and our written policy specifically bars discrimination based on sexual orientation.

Caring for Partners in Times of Need

Starbucks has a fund dedicated to helping our partners in time of need that is in addition to disability coverage and personal leave allowances. The CUP Fund (Caring Unites Partners) is a financial assistance program funded by partners primarily through payroll deductions. All partners are eligible upon hire. For fiscal 2001, the CUP Fund made 129 awards, for more than \$78,000.

In fiscal 2001, Starbucks received some special commendations and awards. Here are some highlights:

In the March/April 2001 issue of *Business Ethics*, Starbucks was named as one of the **100 Best Corporate Citizens**. The honor was based on data gathered by Kinder, Lydenberg, Domini & Co. (KLD) from six stakeholder groups: community, minority groups, employees, suppliers, customers and environmental stakeholders.

Starbucks was named the **most admired brand** in the food services category by *FORTUNE* magazine in 2001, *FORTUNE*'s own definitive report card on corporate reputations. This distinction recognizes our commitment to outstanding products and customer care, as well our adherence to socially responsible business practices.

Starbucks was included in the **2002 Dow Jones Sustainability World Index** (DJSI World). This assessment of the 2,500 largest companies in the Dow Jones Global Index focuses on economic, environmental and social performance. Starbucks was one of 312 companies that met the sustainability criteria to merit inclusion in the Index.

The U.S. Department of Justice recognized Starbucks with the **"Justice for Victims of Crimes Award."** Starbucks earned the award for establishing the Starbucks Memorial Fund. This fund supports violence prevention and victim assistance programs in metropolitan Washington, D.C. The fund is a memorial to three Starbucks partners who were killed in a robbery at the Georgetown Starbucks location in 1997.

Starbucks was included on *FORTUNE*'s list of the **100 Best Companies to Work For**, announced in January 2002. Two-thirds of the score is based on how randomly selected employees respond to the Great Place to Work Trust Index, a survey instrument measuring the quality of workplace culture. The remainder of the score is based on *FORTUNE*'s evaluation of the company.

Starbucks earned inclusion in the **2001 Calvert Social Index**, which consists of 600 exemplary companies that meet Calvert's strict social responsibility criteria. Calvert is the leading provider of the largest family of socially responsible mutual funds.

FOR ADDITIONAL INFORMATION:

The Report is available on-line at www.starbucks.com/aboutus/investor.asp. To request a printed copy of the Report, call 1-800-STARBUC (1-800-782-7282), or fax your request to 1-800-782-7286.

This Report is printed on 100% recycled fiber, 100% post-consumer material.

For additional information about Starbucks, please visit www.starbucks.com.

