

Annual General Meeting

Company Participants

- Cora Carter, Store Manager
- Gerri Martin-Flickinger, Chief Technology Officer & Executive VP
- Herrick Ross, Recruiter-Military Talent Acquisition
- Howard S. Schultz, Chairman & Chief Executive Officer
- Jenny Roberts, Sourcing Manager-Global Beverage Ingredients
- Kevin R. Johnson, President, Chief Operating Officer & Director
- Lucy Lee Helm, Secretary, Executive VP & General Counsel
- Melissa Nussbaum, Senior Benefits Specialist-Starbucks College Achievement Plan
- Molly Liu, Vice President-Digital Ventures Starbucks China
- Noreen Olson, WC Claims Manager
- Rebecca Badger, Store Manager
- Saunjah Powell-Pointer, Global Sourcing Manager
- Sean Greenlee, District Manager
- Tamara L. Summers, Inclusion & Diversity Lead-U.S. Retail
- Unverified Participant

Other Participants

- Jan Drago, Board Member, Mary's Place
- Justin Danhof, General Counsel, National Center for Public Policy Research

MANAGEMENT DISCUSSION SECTION

Howard S. Schultz {BIO 1432255 <GO>}

Well, good morning and welcome to the Starbucks Annual Meeting of our shareholders, our 25th as a public company and, as you now know, my last as CEO.

Let me begin by thanking the Seattle Recruiting Battalion Color Guard representing United States Army and the Starbucks choir, please give them a nice round of applause.

There are number of important guests I'd just like to acknowledge and recognize. Our entire board is here this morning. We'll introduce them formally in a little while. But I would like to introduce and recognize our three new directors and ask them to stand. Satya Nadella, the CEO of Microsoft. Thank you. Rosalind Brewer, the Former

CEO and President of Sam's Club, and Jørgen Vig Knudstorp, the Head of the LEGO Group.

We had a board meeting yesterday and board dinner, and they weren't shy, they were right in there, and the three of you are going to add so much value to the company. Thank you very much for becoming part of the Starbucks family. Thank you.

27 years ago, when a young, brash kid from New York was trying to raise money for a coffee company that was not succeeding in Chicago, people could not pronounce the Italian names on our menu, not a lot of people are willing to invest in our company. And 27 years ago, one venture capitalist stood up and he is retiring from the Starbucks Florida after 27 years. I want to say thank you and really recognize with great respect and admiration, Jamie Shennan. Jamie, where are you?

I know we have a number of business partners internationally are here, Plácido Arango from Spain, Alberto and Paulina Torrado from Mexico, Noey and Quito (02:38) Lopez from the Philippines, Rocco Princi from Italy, thank you for being here. It means a lot that you've travelled all this way. Thank you.

And I would like to ask all service members, veterans, military spouses to stand up and be recognized. Thank you. And to all the Starbucks partners who are here today and the thousands who are watching on the webcast from 75 countries, everything we do is for you and that what we've tried over the years is really demonstrate the compassion of our company, and our shareholders are here to applaud and salute all of you who wear the green apron. Thank you so much. Thank you.

And last, last thank you. My wife Sheri is not here tonight - today. We - two weeks early our grandson arrived on Sunday. She's back in New York. 25 years, no one can do anything like this alone. All the families that represent our partners and my wife, Sherri, send our kinds as to - they all know that I stand on their shoulders and I'm here because of them. Thank you so much. Thank you, Sheri.

Okay. Those are the thank you's. So, let's begin. Every hour of every day someone, somewhere, everywhere in the world is walking into a place named Starbucks. And as we gather here today there are over 26,000 stores in 75 countries and, last week alone, over 90 million customers passed through our stores. And we now employ over 330,000 partners who proudly wear the green apron somewhere in the world.

From the very beginning, we said that we're in business for a number of reasons, but we're also in business to create value for our people. And I wanted to share with you, after 25 years of being a public company, I think what we're most proud of is the unbelievable commitment and conviction we've had to our partners and our families. And as we go forward not only are we trying to build shareholder value for you, but at the same time we take it very seriously, the conviction we have, to make sure that we share success with our people and bring our families along with us. So, for all the partners who are watching us, as I said earlier, make no mistake about it,

we link shareholder value for value for our partners, and that has made the Starbucks experience so special after all these years.

Now, 25 years ago, in 1992, it's hard to believe this little coffee company with about a 150 stores, and only one quarter of profitability was getting ready to go public. And, of course, in Seattle and on the West Coast, there was great fan fear about what Starbucks could accomplish. But as we went on the road show and try to talk about the Starbucks story, there was resistance. And interestingly enough, there wasn't much resistance about whether or not what we do every day in our stores was going to transfer to other markets. The resistance came because, two years before the IPO, we had the novel idea at that time to recognize that, for us to succeed as a company, we had to exceed the expectations of our people, so that they could exceed the expectations of our customers. And the way that manifested itself as we became the first company in America to provide equity in the form of stock options and comprehensive health insurance, in 1990, to everyone who worked with Starbucks, including those people who are working 20 hours a week part-time people.

And that became the foundation of the culture of the company. But the shareholders, who are looking at investing in a public company, a retail public company, many of whom made the decision and the conclusion that those benefits and the generosity of the company, the benevolence of Starbucks management at that time, that these benefits would be shareholder dilutive in the sense that it would not create value as much as it could if we gave that money back to the shareholders. And that was a very important moment because it imprinted in all of us the conviction we had then, as we do now, in recognizing that it's not about the healthcare, it's not about the equity in the form of stock options, it's about creating the balance that we've always believed in in creating long-term value for the shareholder, profit in everything we do but at the same time recognizing the importance of the fragile balance of social impact, conscience, benevolence and serving the communities and serving our people.

So, as we look back on the 25-year public history of the company and how others viewed us then and how they view us now, what we've accomplished in terms of the record financial performance is just about unparalleled. I mean, when you look at this slide, it's hard to believe that a small coffee company in 1992 that had a 150 stores and a market cap of \$250 million at the IPO is sitting today with a market capital of over \$80 billion. And if you were smart enough to hold on to your stock - Jack, (09:07) I know you were - and you invested \$1,000 in 1992, that investment is worth over \$180,000 today. We're pretty proud of that, but not many people believed.

So, there are shareholders here today. I see them friends of mine Jack and Nancy Rogers, Carol Bobo, Steve and Laurie Ritt. These are people who were kind of friends of mine in those early days who really, really believed that we could build a different kind of company. So, I think that, as we think about what's really important and what has driven the success and as I stand here before you, of course it's the quality of the coffee and the store design and everything, but it's the culture, it's the values. And as a result of that, we have been recognized time and time again as having one of the

most respected and recognized brands in the world. And just last week, the equity of the Starbucks brand was once again recognized.

For the 11th consecutive year, Starbucks was named one of the world's most ethical companies in the world by Ethisphere Institute. And then Fortune magazine, which does this study every year, named Starbucks the third most admired company in the world. I mean - Satya, I'm glad you're on that list, I got to tell you. But when I was a kid growing up, no, hey - when I was a kid growing up, GE was everything. And I look at Starbucks on the same list as GE, I just - I can only wish my parents were here to really understand what Starbucks has become. So, we're very proud of that as a company, very proud of that personally.

So, you look at the financial performance, which has been extraordinary, and here I am in front of you in a year where it's been kind of an anomaly for Starbucks because it's one of the few years in our public life where the stock is not up year-over-year. And, of course, the Sabres are out for Howard and something is wrong, we got our mobile order and pay issue and there's congestion and we have analysts who believe maybe the bloom is off the rose at Starbucks. They don't know what you're talking about.

So, even though the stock is not up year-over-year, if you ask me to kind of assess this past year, putting the stock price aside for a moment, I'd honestly say and I believe this, that this probably has been one of our best, most strongest, most meaningful years in our history. And let me tell you why. One is we've always taken the long view. We've always tried to invest ahead of the growth curve. We've always recognized that success is best when it's shared, bringing our people along on the journey and investing in the communities in which we operate. Never succumbing to short-term pressures and the mentality of others but being true to the long-term aspirations of building a great and enduring company.

Now, two years ago, when I stood on this stage, I framed a very important question that was heartfelt, was personal and something that I was very concerned about. And that was, what is the role and responsibility for a for-profit company. If you think back two years ago and where we are today, I think that question and the answers to that question are more important than ever before.

So, it begs a number of questions. For example, why are we opening up stores in Ferguson, Missouri, Inglewood outside of Chicago, Jamaica, Queens? Why did we convene over 40 like-minded companies to try and hire 1 million opportunity youth among the 5 million young people aged 16 to 24 years, mostly African American and Latino who are not in school and not in work. Why would we do that? Why have we hired 10,000 veterans and their spouses? Why have we opened over 30 family military stores near bases around the country? Why were we one of the first companies in America to support marriage equality? And why are we the only company in America providing free four-year tuition for every single person at Starbucks? Why are we doing that? Why do we host an Annual Meeting in China for the parents and the families of Chinese partners? Why we do anything quite like that? Why did we have the courage, the conviction to address the issue of race and

try and elevate the national conversation about racism? And yes, why did we make the announcement, just a few weeks ago, to hire 10,000 refugees globally?

And the answer, for me personally and everyone that works with me, is pretty simple. Not every decision in business is an economic one and because leadership and moral courage is not a passive act. Because, since 1971, when we opened the first store in the Pike Place Market and again in 1992 when we went public from Seattle to Mumbai, from Shanghai to Paris, Starbucks has succeeded because of our people, because we recognize what our responsibility is in addition to making a profit. It's also a reminder that these investments and levels of innovation are not only marketing and customer-facing, they're about conscience. And we have, for decades, been driven by principles, guided by a set of beliefs that are steeped in humanity. That is the role and responsibility of a public company. And I think a great way to kind of demonstrate that to you is just a short, a very short video that we put together, that's not marketing and not about a press release. It's literally about the compassion of the company. Take a look.

[Video Presentation] (16:28-17:35)

So, I can assure you that our commitment to building long-term value for you, our shareholders going forward is an absolute. But looking ahead, we're going to advance this work even more boldly in the years to come. Three years ago, we said we'd hire 10,000 veterans and military spouses by 2018. I'm proud to announce what we've already met and exceeded that goal. Thank you.

And let me just say something about that, that I think is important. So much was written as veterans were coming home and trying to make the transition from military life to civilian life. We sat down with a group of young people who were getting ready for the transition. And I heard one of them make a comment that I'll never forget when he said that he had more anxiety and trepidation about going to a job interview than he had about going back to Afghanistan. Think about that.

And unfortunately, so many people who are coming back from Afghanistan and Iraq were kind of misrepresented about who they were and what they've done. These are extraordinary people who have been through extraordinary things. But they come back with skills, leadership, ethics, integrity, not an ounce of entitlement. And every one of them that has come to work at Starbucks in our office wearing the green apron, on their own merit, have done a great job, but they have made us a better company. We are better because of them. And so, we're upping our goal and we're going to hire 25,000 by 2025.

And that's not all, two years ago we made a commitment to hire 10,000 opportunity youth at Starbucks. We've exceeded that goal and we have 40,000 now. We've held job fairs in Seattle, Chicago, Arizona, Los Angeles. And I was looking for that photo. This photo here, this is like 8 AM in Los Angeles. We open the doors to our job fair and these young kids, and you can see how they're dressed, you can see their facial expressions, they are running into the door and all they're looking for is one thing,

and that is that their station in life should not define them and all they're looking for is an opportunity. And just like the veterans that we've hired, these young people have done extraordinary things at Starbucks and all they're looking for is for someone to open up the door and to view them on their own merit. So, we're upping our goal for opportunity youth and we'll try and hire 100,000 by 2020.

And finally, building on our Starbucks College Achievement program with the partnership with Arizona State University. We've created a new program, which is called Pathway to Admission. And that basically opens access to college to every Starbucks' partner who previously did not qualify for college for one reason or another. So, regardless of your test scores, regardless of your history, everyone at Starbucks is now going to have access to a free four-year college tuition. And we hope to have 25,000 partners graduate from ASU by 2025.

So, as I mentioned, this is my last Annual Meeting as the CEO of Starbucks. And the question has been, what is going to be my role and responsibility going forward as Executive Chairman. And I will be focusing a majority of my efforts on the new area of the ultra-premium Starbucks Reserve brand and retail innovation.

So, two years ago, we began this program, and with the Reserve brand, and we've had an unbelievable success with the Seattle Roastery. But I just want to take you back to something. In 2008, 2009, as we were having this trouble, I wrote down this little private story to myself. I wasn't clairvoyant, but I was dreaming about something. And the dream was, could we create a different, immersive, theatrical, romantic kind of flagship experience that did not exist not only in coffee but anywhere? Could we take the elements of Disney and Willy Wonka and do something that would just be dream-like? Can we take our customers on a magical carpet ride?

Well, the Seattle Roastery has done just that and more. And we are now on our way to a whole new level of expansion and opportunities with the Roastery. Beginning with the fact that we discovered an extraordinary artisanal baker in Milan, and that's Rocco Princi who's here today. I tried to convince him for like seven years to be our partner and he kept saying no. He operates five stores in Milan and one in London, kept saying no, no, no. I thought we had a language problem because he doesn't speak English, I don't speak Italian, but we both spoke the language of love and I got him to Seattle. I took him into the Roastery. And this fall we will be bringing Princi food, fresh baked, which we're actually baking into the Roastery, and we'll bring Princi into all of the Roasteries going forward.

So, if you look at this map - wow, look at this. So, go back please. So, the Seattle Roastery, far left, Princi food on the left. This is in New York, on the corner of 9th and 15th in the Meatpacking District next to the Chelsea Market, across from Google, next to Apple. This is under construction.

Shanghai, which will be almost twice the size of Seattle, two levels, in a location we can only dream about, Nanjing Road, will open up in December. You're all invited.

And the crown jewel of it all, has been my lifelong dream since I walked the streets of Milan in 1983, to one day open in Milan. And we decided, we just can't open up a store, we have to open Roastery.

So, last week we were in Milan making the announcement, and take a look.

[Video Presentation] (24:54-27:21)

That was an extraordinary moment for all of us and for me personally when that Roastery opens in Italy in about a year and a half. It will be a seminal moment for the company, for me. And going back to 1983, who could've possibly imagined that we would be here celebrating 25 years as a public company. So, as I said before, we've tried from day one to play the long game. I can't imagine to be surrounded by a more talented, committed, compassionate team of senior leaders of Starbucks and now led by one person, Kevin Johnson.

So, let me tell you a little bit about Kevin and why I'm so enthused, why I'm so confident and why, as shareholders, you should feel very, very comfortable that the company is in extraordinary hands with a great person and a great leader.

I worked side-by-side with Kevin in the last two years when he has been President and COO of Starbucks. And six years prior to that, he served with great distinction as a outside board member, and certainly everyone on the board would agree with that.

Who is Kevin Johnson? Above all else, he is a servant leader with a tremendous sense of humanity, compassion and an understanding, a deep understanding of the human condition. He has been labeled, maybe fairly and unfairly at times, as a technologist. I mean, that may be his advocacy but he's an extraordinary person who has a great understanding of Starbucks' business, what it means to be a merchant and, above all else, the partner experience.

So, we thought a great way to introduce Kevin, before he comes on stage, is just to give you a glimpse into Kevin, his life and the man. Take a look.

[Video presentation] (29:25-33:34)

Please welcome the next Chief Executive Officer of Starbucks Coffee Company, Kevin Johnson.

Kevin R. Johnson {BIO 3773960 <GO>}

Thank you. Thank you very much. Thank you, Howard. Good morning, everyone. This is my eight Annual Shareholder Meeting, and this is a very special one for me. Certainly, it's the opportunity to recognize and celebrate what Howard and the hundreds of thousands of Starbucks partners throughout the years have created.

Now, my life journey has taken me to this place here today. As a young boy, the mission of sending a man to the moon captivated me. It always begins with a bold aspiration and a mission, to inspire and nurture the human spirit one person, one cup, one neighborhood at a time.

How many publicly traded companies do you know that have a mission statement that begins with the words, to inspire and nurture the human spirit. Only one I know, and that's why Starbucks hold a special place in my heart. Every life experience I've had, every achievement, every struggle, every lesson learned, every person that touched has shaped me. And Starbucks has shaped me. And I can tell you I'm prepared to do the hard work that it takes to elevate this great brand in Starbucks and lead us into the future.

And I'm so optimistic, so optimistic about the future for three reasons, three reasons that I think are relevant to all shareholders. First, human connection. Starbucks is in the business of human connection in a world that needs it now more than ever. Second, relevant innovation. We have the strongest innovation pipeline in the history of the company. And third, China. China is our fastest-growing market and represents an amazing opportunity.

Now let me take you through each one of these reasons in more detail, and then I'm going to connect them back together to our commitment to creating shareholder value.

Human connection. Starbucks partners around the world connect with over 90 million customers a week. The concept of the third place is universally accepted as a gathering place for community, a place for people to connect. Communities embrace their local Starbucks as a hub.

Now, this was so evident to me a year ago. A year ago, I attended the store opening in Ferguson, Missouri. Certainly following the unrest, the protests and the riots that unfolded in Ferguson in 2014, we decided to build a Starbucks store in support of the community at Ferguson. When we announced we're putting a store in Ferguson, a young man, Cordell Lewis, heard about Starbucks coming to Ferguson and he applied to be the store manager and we hired Cordell. Cordell Lewis is here today. Let's give a hand for Cordell.

Now, when I arrived for that store visit, Cordell had hired this wonderful team of baristas. Some were tenured Starbucks partners and some, it was their very first job. On the day of the opening, community leaders, leaders from the urban league, the Mayor, the City Council, police officers and citizens of Ferguson showed up for that store opening with excitement, optimism about their community. Every person who was there was proud to be able to say that Ferguson would now have a Starbucks. It was a vote of confidence for their community.

Now, I listened to these customers, I listened to our partners that day in Ferguson, and I observed something. I observed a sense of connection, a desire to come

together and a feeling of joy.

Now, the week prior to the store opening, Howard was in South Africa opening our first Starbucks store in South Africa. And when we got back to Seattle, we sat down in Howard's office and we shared our experiences. Two store openings in very different places, different hemispheres, different continents, but with the same similar sentiment from customers and partners, pride, community and joy. And I ask myself, why is it that people almost 10,000 miles apart, different hemispheres, different continents, but they had the same reaction, why? The answer, human connection.

Now, following that visit, a few months later, I was reading an article in Fortune magazine. And the first paragraph of that article captured me. It said, humans were not designed to be solitary creatures. We evolved to survive in tribes. The need to interact is so deeply engrained in our genetic code, so much so that the absence of social connection triggers the same primal alarm bells as thirst, hunger and pain. Wow.

So, I looked and the quote was from a leading researcher on human connection from the University of Chicago, John Cacioppo. So what did I do? I picked up the phone and I called the University of Chicago switchboard and I asked to speak to John. And he took my call. So, John, my name is Kevin. I'm at Starbucks. I want to learn more about your research around human connection and John spent an hour educating me on his studies around what he believes is a modern day epidemic of chronic loneliness.

And he shared with me. He said, Kevin, I think that my research points to three factors, or at least three factors. He said, for example, the rise of technology, often times, people are spending more time in their device than they are connecting with another human being. He said growing division in the world causes people to turn inward. And he said in periods of economic struggle, people have to spend more time working and less time with family. The antidote he says, human connection.

Well, that is the business of Starbucks. There are so many great stories of our partners connecting with customers in meaningful ways that changes their lives. And I just picked one to share with you today. Let's roll the video.

[Video Presentation] (41:15-42:41)

Human connection, it happens every day in 26,000 stores around the world. It is our foundation, and it is a strong foundation. But we are also innovators. We're driving relevant innovation for our customers that amplifies Starbucks as a destination, and our innovation pipeline is the strongest in the history of the company. Beverage, food, store design, equipment, digital, every aspect of the innovation that it takes to create customer experiences that are joyful.

Now let's start coffee innovation. Starbucks Reserve has created the renaissance of small lot coffees. Two examples, Eastern Congo. Our work with the Eastern Congo

initiative is rebuilding the country's coffee industry. They are now producing coffee that is a customer favorite with its lively orange citrus flavor and notes of cocoa. Pantheon Blend is a one-of-a-kind blend made up from Reserve coffees from Ethiopia, Nicaragua, Guatemala.

When it comes to coffee beverages, the Roastery in Seattle has now become our innovation incubator. Beverages like Cascara Latte were invented in the Roastery and are now part of our core Starbucks beverage offerings across the entire footprint. The latest innovation from the Roastery, barrel-aged coffee. Let's take a look.

[Video Presentation] (44:26-45:23)

Barrel-aged coffee at the Roastery, today.

Now, these are just two examples of many where the Roastery is fueling innovation that will propagate throughout the Starbucks fleet.

Now let's move on to tea and tea innovation. Today, we sell over \$1 billion of Teavana teas in Starbucks stores around the world. And we listen to our customers. Customers care about wellness, they care about natural ingredients, they're working to find ways to reduce calories and no added sugars.

So later this summer, we are introducing new Teavana Shaken Iced Tea infusions. Shaken Iced Tea infusions take our freshly steeped core Teavana teas and we combine them with freshly steeped flavors that come from fruit and botanical blends that deliver this delicious flavored beverage that are free from artificial flavors and sweeteners.

Now, we are reducing the added sugars in all of our standard tea beverages and you can request them unsweetened. Teavana Iced Tea infusions, delicious, unsweetened at zero grams of added sugar, a great, great beverage.

Food innovation. Let me highlight some of the work we're doing in the areas of food. We recently launched the new Sous Vide Egg Bites in January and I can tell you they are a hit, when you can find them. We are adding capacity as fast as we can to not only catch up but keep up with customer demand.

Now, we've also listened to customer feedback around more gluten-free choices, right? Now, in fact, at the last two annual shareholder meetings, one of our shareholders, Mr. Katz. Mr. Katz has come to the microphone two years in a row during the Q&A session and he has request - made his request for more gluten-free choices. Mr. Katz, are you here today? Okay. Mr. Katz, this one is for you. Yesterday, we launched another gluten-free item on the menu, our Smoked Canadian Bacon Breakfast Sandwich with more gluten-free innovation coming. Mr. Katz, thanks for the feedback.

Now let's talk about lunch. Another big opportunity for Starbucks. Now last year, I sat down and met with our chefs in the Innovation Lab. And I asked them, I asked them to provide us with a culinary point of view for a wonderful lunch menu. And they went on a discovery journey. They came back from that discovery journey and they said, Kevin, here's an idea.

What if we created a Mediterranean, California-inspired culinary experience for lunch that is second to none? And they said, what if we created a supply chain so it could be prepared fresh daily, prepared and consumed within a 24-hour period, so every item is fresh. And what if we had the range of options from high-protein offerings to vegan? And what if at the end of the day, any of that food that was not sold through in that store was then donated to feed the hungry. Introducing Starbucks Mercato, vibrant salads, hearty sandwiches all made fresh daily.

Now, Mercato will be available in more than 100 stores in the Chicago area beginning in mid-April, just a few weeks away. Based on the customer feedback and reception, we'll then plan to expand into other markets. Now not only will Mercato, the Mercato launch offerings in Starbucks provide you a wonderful lunch selection, it also contributes to the positive mission of feeding the hungry through our FoodShare program. Mercato, in stores in Chicago mid-April.

Now digital, got to talk about digital. Before we jump in to the customer-facing innovation coming from digital, I want to touch upon how we are using digital technologies internal to Starbucks to create a real-time connection with our store managers. Now you think about it, just in the U.S., we have over 9,000 company-operated stores. And the question was posed, how can we better connect with our store managers, how can we communicate with them in a two-way vehicle and do it fast, and how can we help store managers create community amongst one another?

Well, in January, we implemented Workplace by Facebook. Now think of Workplace by Facebook as a private Facebook for Starbucks partners to communicate and share information. Workplace allows us now to stream live open forums and have real-time dialogue with our store managers. We launched this in January with a live open forum hosted by Howard and myself with all store managers in the U.S., that's what you see up here on the screen. This was actual live open forum in January. And you can see by the slide, we are getting real-time comments, hearts, thumbs up, sometimes a thumbs down, mostly thumbs ups, and store managers asking us questions.

Now, this was a new experience for both Howard and myself, but we have now started doing these Workplace live open forums with our store managers every month. And store managers have now found a way to create community and better connect with us.

Some recent examples, about a month ago, a store manager posted on Workplace. They posted a post that said that they are selling more than 20 beverages a day that are not on our official beverage menu. They are beverages that were featured on

Instagram. How many people use Instagram to get your beverage? See, all kinds of beverages on Instagram. Well, they're selling 20 a day. They're not sure they have the right recipe. Well, within 24-hour period, nearly 40 other store managers also posted and said, I too, I'm selling 15 of these a day, I'm selling 30 of these a day.

And then that evening, our category marketing team saw the volume of posts and how much this beverage featured on Instagram was selling in our stores and they made a decision that night and posted back to store managers by the next morning that they had made the decision to add this to the official beverage recipes, something that could have taken weeks, if not months to happen before Workplace, happened in one day. That is creating visibility with our store managers that's enabling us to have more velocity in the way we make decisions, so we can better serve our store managers and our partners in the stores.

All right, customer-facing digital. Mobile Order & Pay continues to grow, and just last month, it represented more than 8% of all transactions in the United States. And in our last earnings call, we highlighted how we are focusing on increasing throughput, improving the customer experience and reducing congestion at the handoff plane. Now, we have already deployed a number of these measures and they are having a positive effect.

For example, in our busiest stores, we've added two new dedicated roles for partners at that peak just for Mobile Order & Pay. We've streamlined the handoff plane in the way that beverages are consolidated and given to our customers. And we've deployed new tools to support the increased throughput.

Now, the early feedback from store managers and customers has been very positive. But keep in mind, these are just the first steps of a number of things we are doing to improve capacity and throughput in our store, and rest assured that this progress will continue to be fully felt in the back half of this fiscal year.

Now to show you some of the new innovation and the exciting new customer features that we are bringing to our mobile app, I want to introduce our Chief Technology Officer, Gerri Martin-Flickinger. Gerri?

Gerri Martin-Flickinger {BIO 15334242 <GO>}

Thank you, Kevin. Good morning. I am so pleased to have the opportunity to spend a few minutes with you today to talk a little about the digital innovation at Starbucks.

At its core, Starbucks is all about the importance of human connection, one person, one cup of coffee and one neighborhood at a time. I truly believe that technology when done well helps enrich and enhance the human connection. And over the last several years, we've innovated to make our mobile application even more personalized.

Let me start by taking you on the journey. We launched Starbucks mobile application three years ago, and we started with mobile payment, giving customers the ability to pay from their phone and track rewards. It was less than two years ago that we enhanced this application to allow ordering, and further extending our brick-and-mortar stores with added digital convenience. And this year, we extended this experience to make it personal, and let me explain how.

We leverage artificial intelligence and big data. We stitch data from many different sources, including a customer's past purchases, information about trends, weather data, as well as product availability at a store. And then we give each and every customer personalized offers and recommendations to anticipate and delight. And that's not all. We also surprised customers with games that are developed just for them, giving our customers rewards and opportunities to try new products or visit more frequently.

Like Kevin said, our customers have made it clear that these personalized experiences are enriching their connection to Starbucks. Starbucks reward members. The spend is 20% higher than last year. And we've seen a tripling of personalized marketing sales lift, reflecting a more engaged member base.

The growth of MOP has been impressive. Our highest-volume MOP stores are seeing more than 20% of their transactions through MOP at peak. And as Kevin mentioned, with this volume, we recognized the need to continue to streamline and enhance the in-store experience.

We're using and testing text notification to let customers know their orders are ready, allowing our customers time to relax and improving the experience at the handoff plane. We're also introducing technology to help our baristas manage the production of orders, so they can focus on the customer engagement.

So we've talked a lot about Mobile Order & Pay and the digital device. But that's only one form of interaction. Today, customers can even pay with an iWatch. And I'm sure we can all imagine many more devices and many more methods of digital engagement.

As innovation continues to touch all of our lives, the way we interact with technology is also radically changing. And I love to ask the question, how many of you took a typing class to learn to use a computer? Yeah. I mean, I see some hands out there. Okay. How many of your kids took typing? Yeah. Okay. So if your kids are like my kids, they use one finger and they point and click. And I would suggest to you that the next generation won't even do that. They will use their voice.

Earlier this year, we announced voice ordering in our mobile application. Let's take a quick look at how this works.

[Video Presentation] (58:34-59:02)

So, this feature has already rolled out to about 100,000 customers, and we plan to have it rolled out nationwide by the end of the year.

As you can imagine, the opportunity for voice and other settings becomes quite intriguing. For example, we've delivered an Alexa skill that allows you to order coffee at home from your Amazon Echo.

Our technology foundation is allowing us to embrace conversational commerce very, very rapidly. In fact, I'd like to give you a sneak peek of something that I got a chance to see this morning.

[Video Presentation] (59:58-01:01:05)

So what you just saw was real, available in market later this year for customers with the Alexa skill and a Ford with SYNC 3. So it only takes a little imagination to think about where conversational ordering will show up next, but we'll save a few things for next year's shareholders meeting.

I'd like to shift now to gifting. Over the years, giving and receiving Starbucks gift cards has become iconic. They are given for birthdays, holidays, thank yous, business events or just because. Traditionally, our customers have purchased gift cards from our stores and other retailers, and now customers can also purchase them digitally in our MLP app or website.

But what if we let gifting occur in other channels? What about social channels, the virtual places where you engage with your friends, your colleagues and loved ones every single day? Earlier this year, we released an add-in for Microsoft Outlook 365, which many consumers and businesses use for e-mail. The add-in allows you to give someone a Starbucks gift card without ever leaving your e-mail session with just a few clicks. What an amazing way to quickly send a thank you or a birthday gift.

This spring, we'll release Starbucks gifting for iMessage. This will allow our customers to give a Starbucks gift card within an iMessage conversation on an iPhone or an iPad. Let me show you how this feature works.

In this example, two coworkers are messaging one another. One coworker wants to thank his colleague for a job well-done. Without leaving the iMessage conversation, he's able to select a gift card and pay with Apple Pay with just a few taps. The recipient can redeem the gift card right from their iPhone using Apple Pay. This will be released in April.

And that's just the beginning with many more social gifting solutions coming all with the intent of making gift-giving and receiving even easier for our customers. The trends I've been talking about here today are not just U.S.-centric. We're driving towards these types of solutions all around the world.

I'd now like to introduce Molly Liu, VP of Digital Ventures, China, who will share with us technology innovation in that region. Thank you very much. Molly?

Molly Liu {BIO 20115764 <GO>}

Thanks, Gerri.

Gerri Martin-Flickinger {BIO 15334242 <GO>}

Good job.

Molly Liu {BIO 20115764 <GO>}

Thank you. Thanks, Gerri. Good morning. My name is Molly Liu. I'm a five-year partner. I think I have the best job in the company. I lead the Digital Ventures team for Starbucks China. Very excited today to share with you a recent social phenomenon we created across our second whole market.

It was a mission to inspire and nurture the human spirit that brought me to Starbucks five years ago. We have been true to this mission. Our 2,600 stores across Mainland China serve as an attractive third place destination that brings people together over a cup of coffee.

As we expand the experience to the digital platforms, we saw a unique opportunity for Starbucks to create deeper social connection digitally, to encourage and cultivate a behavior of everyday kindness and appreciation among family and friends, a behavior truly needed in today's fast-developing China. This was the purpose behind creating a breakthrough social gifting feature. We wanted to partner with the strongest social engine. Hence, the strategic partnership with Tencent WeChat was formed last December.

With over 889 million active users, of which many of them logging every day and about half of them spend at least 90 minutes on the app, Tencent WeChat is one of the most powerful social media in the world. Starbucks and WeChat co-created a social gifting experience and affectionately named it Say it with Starbucks, [Foreign Language] (01:06:02), which had a similar pronunciation as [Foreign Language] (01:06:08), meaning, say it with your heart.

We aspire to deepen the shared moments of connection by allowing our customers to speak from their heart, together with a gift of Starbucks coffee or digital store value card. I want to share with you how in a very short time, Say it with Starbucks has made a difference in my own life.

My first gift was sent to my best friend from college, Asing (01:06:40). We no longer live in the same city and haven't met for a long time. My biggest regret was not being able to be there for her when she most needed my support.

When I browse through the social gifting offerings, the Thinking Of You card caught my attention and I immediately picked one for Asing (01:07:01). Paid with WeChat Pay and easily selected Asing (01:07:06) from my WeChat contact list. The gifting feature also allows me to edit or attach text, photo or video in my greetings.

I wrote a personal note to encourage my friend find more time to relax in a Starbucks store and the coffee is on me, for sure. She received the gift instantly and replied with a big smile. If you think about it, 25 seconds were all that it took for me to make up for this long overdue reconnection and her big smiley face reply really made my day.

While sending a gift is a convenient and rewarding experience, receiving one could create a memorable moment of surprise and delight in anyone's life. I just received such a surprise gift from my little boy, Harry, this morning. He knows that I need coffee to overcome jet lag flying from China. So, he sent me a latte, together with a heart-melting video.

[Video presentation] (01:08:18-01:08:27)

I miss you, too. I miss you, too. I'm going to hug you right now, baby. My stories are only two out of the over 1 million stories of love, friendship, connection and appreciation that has happened in the past six weeks since we launched Say it with Starbucks. Our customers have fallen in love with this innovative feature for the seamless experience, emotional attachment and personal touch. Many customers purchased more than one gift and keep coming back. Many gift receivers start to purchase a gift and passing the love to other people as well, making this a truly viral social phenomenon.

You can tell that I am extremely proud of the Starbucks and WeChat partners who worked tirelessly to bring this innovation to life. I'm also humbled when our customers recognize Starbucks for being not only a global brand that offers the best-in-class service, but also a local brand that created truly relevant experience for the Chinese people. Despite the early success, this is only the beginning of an exciting Starbucks digital journey in China. The best is yet to come.

Thanks again for the opportunity of sharing with you what we're doing in China. Thank you. Now, let's welcome Kevin.

Kevin R. Johnson {BIO 3773960 <GO>}

Thank you, Gerri and Molly. Now, in case you didn't realize what Molly said, there's over 800 million active users of WeChat in China – around the world. In the first six weeks of launching this social gifting feature, over 1.2 million gifts have been given and are being redeemed in our stores in China; huge, huge opportunity.

Now, what I've shared with you are just a few of the innovative things coming. But I strongly believe that we have the strongest innovation pipeline in the history of the

company. But now, I want to build on what you saw from Molly and amplify the importance of our work in China. Our Starbucks China team is world-class, world-class. And I'm proud of the work they've done to get us to this point.

Perhaps, nowhere has the Starbucks experience been embraced more enthusiastically than in China, a country we entered 18 years ago. It is our fastest-growing market with over 2,600 stores across 127 cities, serving more than 5 million customer visits per week. Now, we're committed to double the number of stores in China over the next five years. And today, we are opening a new store in China every 15 hours.

So, when I put these three things together, Starbucks is about human connection at a time when human connection is in more demand. We have the strongest innovation pipeline in the history of the company, and we have this amazing opportunity in China. I add those three things together and I come up with one conclusion, growth. This is why I'm so optimistic about our future in creating shareholder value. The fact is that we've returned \$10 billion of cash to shareholders over the last five years in the form of dividends and share buybacks.

This year, we're deploying \$1.6 billion of capital, much of it to build and renovate the most profitable stores in our history and create more shareholder value. And we are investing for a future. We're investing for the long term by investing in our partners, investing in digital to position us to capture this opportunity. Now you put this all together and you should all have great confidence in the future of Starbucks. But there's one more reason why I believe in Starbucks, and it is the power of our partners.

Starbucks has been a gift in my life and I've learned so much by traveling the world and listening to partners share their life story, share what Starbucks means to them. My partners have taught me three things. First, the power of one. One store, one partner, one customer connection at a time. My partners have taught me the power of family. When I do round tables in our stores, I have heard hundreds of times, partners tell me, Kevin, these partners are my Starbucks family and I love them. And the power of purpose. You've taught me that our reason for being, human connection and doing good in the world has purpose that can change people's lives.

It's about being part of something that is bigger than any one of us. It's a mission I choose to pursue. So, I want to take this opportunity for all of us to recognize and thank the more than 330,000 partners who proudly wear the green apron and the partners who serve them day in and day out. This is recognition for the Starbucks partners globally.

I'm proud to be your partner and I want you to know that I am here to serve you. To our shareholders, I feel a great sense of responsibility to you as well. I know I have Vienty (01:14:59) shoes to fill, and that's not lost on me, but I will be authentic and committed to stay true to the Starbucks' mission, values and guiding principles while

working tirelessly to create shareholder value for you. And I want every Starbucks' customer and community we serve to know that together, we are committed to do good in this world. My life journey has led me here for a reason to serve all of you as we continue on our journey and I can't think of a better group of people or a better mission to serve at this moment in my life. Thank you.

[Video Presentation] (01:16:03-01:19:39)

Howard S. Schultz {BIO 1432255 <GO>}

Thank you very much. Let me try and explain what you just saw and how it relates to the last 30 plus years of the Starbucks experience. First off, that is what we call a open forum at Starbucks. And for the past 30-plus years, in order to really elevate the internal conversation within our company, on a quarterly basis, domestically and around the world, our leaders have, in our parlance, a open forum or a town hall. And we learned over the years that most people that come to work for a company had a previous job experience. And that job experience, more often than not, disappointed them for whatever reason.

And so, we said early on that the currency to the culture, the values and guiding principles of Starbucks has to be trust. And the question is, how do you build trust? And so, after 30-plus years of having these kinds of meetings, we have created an environment where people feel very safe, very vulnerable and if they have a complaint or a concern, they know there's no retribution. And this has really created, domestically and around the world, the opportunity for us to really understand with great sensibility how our people are feeling about the company, each other, what we're trying to do and most importantly, how can we get better and how can we serve them even more.

The San Antonio open forum was very unique. We had a market visit in Texas two weeks ago. We visit markets all the time. But while we were there, we decided to go down to McAllen, Texas. For those of you that don't know where or what McAllen is, it is the Rio Grande Valley and it is the border of the U.S.-Mexican border. And we wanted to see firsthand the issues, the complexity, not to politicize but really to just on the ground level see what people are experiencing. And without going into detail, it was a heart-wrenching day for many of us who heard very, very tough stories.

Now, we recognize this is a problem of great complexity that has been tried to solve for many years now, but there's no doubt that there's been a significant cause and effect on lots of people and Starbucks partners. And so the open forum was still with tremendous emotion. And what you just saw was a snippet of what people had to say and how they're feeling, who are living and working there.

So, we started thinking about what could we do today that would really, with great transparency, demonstrate who we are. So, we're going to take a great risk, unscripted, and for the next 20, 30 minutes, we're going to have an open forum that Kevin and I are going to host.

Kevin R. Johnson {BIO 3773960 <GO>}

Okay. Welcome partners. First time we've ever done one of these, huh? I know the first question is - the first person to share, ask a question is always a difficult one. So, maybe I'll call on...

Howard S. Schultz {BIO 1432255 <GO>}

Jenny. Jenny?

Kevin R. Johnson {BIO 3773960 <GO>}

Do you want to go on first? Microphone over here. Thank you.

Jenny Roberts {BIO 21209257 <GO>}

Gosh, there's a lot of people out there. Morning, everybody. My name is Jenny Roberts. I work in the sourcing department and I've been a partner for two years. And I've always said if I ever got the chance to get in front of our leadership, I would thank them for updating recently our parental leave policy. It's something that I thought about a lot and is really important to me. My daughter just turned one-year old last week. She was born last year eight weeks premature and I was in the hospital for a week. She was in the hospital for four weeks. And at the time, I was a single income earner for my family and it was, as you can imagine, a really difficult time for us.

And so, when the partner resources team opened up for us to have a forum to discuss, where we were last fall with the parental leave policy, I attended because I really felt strongly about sharing my feelings and my family's experiences. And at the time, what I said was I think that I really believe in this company's mission and vision and values and our ability to choose and do the right thing.

And lo and behold, a couple of months ago, it was announced that the parental leave policy was updated. And I just wanted to thank you from the bottom of my heart. It's so important to us parents and people growing families and I can't say thank you enough. I really appreciate that.

Kevin R. Johnson {BIO 3773960 <GO>}

Thank you, Jenny. Jenny, what's your daughter's name?

Howard S. Schultz {BIO 1432255 <GO>}

Thank you, Jenny. Thank you. Thank you. Thank you. Thank you.

Melissa Nussbaum

Hi, Howard and Kevin. Melissa Nussbaum. I am a 10-year partner and I'm proud to be a Benefit Specialist on the SCAP team here in Seattle. Over the past 10 years of working for Starbucks, much like many tenured partners, I've been able to grow and be in an inclusive environment. So, I kind of make the joke that I've come out two times in my life. The first time was nine years ago, I'm originally from a tiny town called Raymond, Washington, home of 2,000 people. And it was really hard for me to come out as a lesbian.

But thankfully to my Starbucks family, because we have such an inclusive environment for members of the LGBTQ community, it was like a non-issue at Starbucks. And so my Starbucks family really gave me the courage to be my authentic self at work, do my best work because I could be myself.

And in addition, they gave me the courage to be myself with my family. So now my family actually loves my wife way more than me, so they're all good. But it took them a while, so thanks to Starbucks.

And the second time was a couple years ago, the Starbucks College Achievement Plan program was announced. And until then, I felt like I was in the closet per se of not have finished my college degree. I started out with WSU, life happened. And I was the first person in my family to go to college. My mom didn't earn a high school diploma. So, I took a lot of pride in that and when I didn't finish it, it was a big chip on my shoulder. So, I proudly stand up here and say that along with myself, my wife will be graduating from the SCAP program spring 2018, and I will be the first person in my family with a college degree in spring 2018. Thank you.

Unverified Participant

Congratulations.

Melissa Nussbaum

And you're both invited to my graduation.

Unverified Participant

Thank you. Thank you. Thank you, Melissa.

Hello. You all saw me in the video earlier. My name is Tony Enbrais (01:27:27). I'm from the U.S.-Mexico border down in Texas. So, it is my privilege to be flown and to know you all, get to know you everybody here. Seattle is a wonderful place. So, I'm going to share my story with even more people, 10 times the amount of people.

So, as Howard mentioned earlier, he was in South Texas, McAllen in the U.S.-Mexico border. As you all know, immigration is a very, very touchy subject right now with the border wall and all this negative stigma that illegal immigrants carry. I was one of those illegal immigrants growing up. I was brought here at the age of four with my

parents wanting to bring me for a better life. The challenges that I faced growing up were very difficult and I was in the deepest of positions. So, in 2008, 2007, around that time, I was able to finally, after so many long hurdles, become a legal resident. And in 2013, I became a U.S. citizen. Thank you.

After becoming a U.S. citizen, I got my college degree and everything, but I still couldn't find a job, so the first place I went to was Starbucks. So I took a leap of faith and I applied. Two years later, I'm still here and it is now my pleasure to share this because it goes to show that, yes, I was in that position, I was the bad person as the President or anybody likes to call it, but you know, we're not all bad people. I am here wearing the apron, in this case, the black apron, serving both sides of the U.S. and Mexico border. We know being in that area, we are divided by a wall still, but we're still the same community, same culture, same people, two different languages and two different governments. So for me to serve both sides of the border in the city of Brownsville, Texas, it is a huge honor.

Howard S. Schultz {BIO 1432255 <GO>}

Thank you.

Unverified Participant

Thank you.

Kevin R. Johnson {BIO 3773960 <GO>}

Thank you.

Howard S. Schultz {BIO 1432255 <GO>}

Thank you. Thank you.

Unverified Participant

Hi, Howard and Kevin. I'm Lisa Law (01:29:26). I've been with the company for 20 years, going on 21. I'm actually part of the Digital (01:29:34) Retail Systems team and I'm the chair of the China and Asia-Pacific partner networking. So, it's long time. It's long. So, I really wanted to share with you that family really is core of my family because of my culture and I'm so proud to be a part of the Starbucks family and I was wondering if we're going to have a family forum here.

Howard S. Schultz {BIO 1432255 <GO>}

A family forum here.

Unverified Participant

Yeah, in U.S.

Howard S. Schultz {BIO 1432255 <GO>}

Kevin, you are the CEO.

Kevin R. Johnson {BIO 3773960 <GO>}

We haven't had one here in the United States yet, but maybe it's time for us to consider doing that. All right.

Unverified Participant

The (01:30:14) and I would be willing to help.

Kevin R. Johnson {BIO 3773960 <GO>}

Thank you. Right here. Right upfront

Howard S. Schultz {BIO 1432255 <GO>}

Thank you. Sorry, we'll come to everybody. Go ahead.

Herrick Ross

A great day to you, Howard. A great day to you, Kevin. Congratulations on this new journey that you're about to embark on. My name is Herrick Ross. I'm with Military Talent Acquisition and my question is in regards to – we have been a leader in setting the standards on the hiring of veterans, military spouses and service members. As we move forward with our new mission, are there going to be any new plans to help more companies understand the value that this magnificent population talent pool brings to the table?

Kevin R. Johnson {BIO 3773960 <GO>}

Go ahead.

Howard S. Schultz {BIO 1432255 <GO>}

Want me to take it?

Kevin R. Johnson {BIO 3773960 <GO>}

Yeah, please.

Howard S. Schultz {BIO 1432255 <GO>}

One of the things that we've had been able to do is because of the success we've enjoyed with bringing military and spouses into the company is we've shared that

with many, many companies and we've had two very successful meetings called Musters, where we brought life-minded companies together and organizations, and I think there's a great level of interest in understanding about the value of military and spouses coming into the company. So the answer is yes. And we are telling the story to lots of people and I think as a result of that, other companies are following suit. Absolutely.

Herrick Ross

Okay. Thank you.

Howard S. Schultz {BIO 1432255 <GO>}

Thank you.

Tamara L. Summers {BIO 19136950 <GO>}

Good morning, Howard. Good morning, Kevin. My name is Tammy Summers, I'm a partner on the Inclusion & Diversity team, and next Tuesday, I'll celebrate my one year anniversary with Starbucks...

Kevin R. Johnson {BIO 3773960 <GO>}

Congratulations.

Tamara L. Summers {BIO 19136950 <GO>}

...and - thank you. As I've been approaching this milestone, I really spent a lot of time thinking about what does Starbucks mean to me and while there's many aspects that this amazing company means to me, two things really stand out. And the first is, Starbucks is a place where I can be me. Being a woman, a woman of color in corporate America, it's not always been an easy experience to come to work and really be your full authentic self and I've been able to do that at Starbucks each and every day to come to work, to be vulnerable, to remove the mask, to share my story and own it without being judged, but to be embraced and to be welcomed and that feeling has really made a difference to me in my life.

And the second is opportunity. In my role, I have the good fortune of working with leaders and partners in the field in driving inclusion and diversity. Well, we've had some good success, we have an opportunity to do more and that really excites me, as to the opportunity to dream big and to have impact and thank you both for the experience, I'm really grateful for it.

Howard S. Schultz {BIO 1432255 <GO>}

Thank you for sharing that.

Kevin R. Johnson {BIO 3773960 <GO>}

Thank you. Thank you very much.

Howard S. Schultz {BIO 1432255 <GO>}

Thank you. Saunjah, we'll go here. Go ahead. You got some...

Yes, you got some.

Saunjah Powell-Pointer

See, I have friends.

Howard S. Schultz {BIO 1432255 <GO>}

Yeah.

Saunjah Powell-Pointer

Good morning, Howard. Good morning, Kevin.

Kevin R. Johnson {BIO 3773960 <GO>}

Good morning.

Saunjah Powell-Pointer

Good morning, partners and shareholders. My name is Saunjah Powell-Pointer and I've been a partner for three years. I source furniture for our beautiful stores. And there are two defining moments in my career here at Starbucks. One of them was December 10, 2014, when our leaders were brave enough to have an open dialogue on race.

It touched me because it was on the backdrop of many unarmed black men being killed and a lot of unrest around that. Because I have seven brothers and a host of cousins and I know that that could have been them, it moved me in a way that will stay with me for a lifetime.

And the second moment was June 19, 2015, and in a very quiet and humane way, our leader, Mr. Howard Schultz, took time to go to Charleston, South Carolina after nine people were killed at the Mother Emanuel Church. You asked me to join you on that trip. I don't think that would have happened in any other company where you take time to go make sure that the community feels safe, that the community is taken care of, and to see what we can do to use our skill for good.

And when we visited that church, and then we visited our partners in that store, and we heard about how our partners activated that community, they created safety, they created normalcy. Just that cup of coffee or their pastry got them through what could have been a very harrowing experience for a lot of people.

There are partners who were not working, do you remember? And they came in to work in order to be there for the community. And I was left with the vision of the Mother Emanuel Church and chalk on a board behind our bar letting the community to know that we stand by you, for you and with you. And that's what it means to be performance-driven through the lens of humanity and I thank you for demonstrating that leadership.

Howard S. Schultz {BIO 1432255 <GO>}

Appreciate it. Appreciate it. Thank you.

Rebecca Badger

Thank you for sharing, it just brings tears in my eyes. My name is Becca Badger. I'm a 12-year partner at the SSC and I have a similar story of thanks. In 2004, I came to the company and I was a young professional who thought I had all of the time in the world to get a degree and I put it aside. And 10 years later, May 2014, I found myself a single mom with two children. One of them has Down syndrome and require additional support. And I saw all the time in the world slipped away. And then in June of 2014, scholarship – the Starbucks College Achievement Plan was announced and I knew hesitation was not an option because I've given the opportunity to achieve the dream of a college degree.

And I started immediately, it was one of the first classes, and I stand here before you two and half years later, I finished my course work at the end of February.

I will confer in May and I'm the first of my family to finish a college degree.

Howard S. Schultz {BIO 1432255 <GO>}

Fantastic.

Rebecca Badger

And that, when I think about the equity in the company and what they can give back to their partners and the benefits that I've received from you over the last 12 years, that's what I carry with me and that's the message I want you as shareholders to understand, too, is that value is so much greater than just the few thousand dollars that it took to get me there. But it's what I talk about and it's what I move forward with, with my Starbucks journey.

Howard S. Schultz {BIO 1432255 <GO>}

Thank you.

Rebecca Badger

Thank you.

Kevin R. Johnson {BIO 3773960 <GO>}

Thank you.

Howard S. Schultz {BIO 1432255 <GO>}

Thank you, Becca.

Sean Greenlee

Hello. My name is Sean Greenlee. I'm a District Manager, been with the company for about three years. And I just want to follow up with what Saunjah was saying and even Becca over there. Providing us space, yes, I understand, we all know the criticality, we're a performance-driven company who lead through the lens of humanity, but Starbucks truly provides us that space to do that. As a navy veteran, socially conscious, biracial partner, I truly feel that the mission and values really aligned with what I personally professionally stand for.

Recently and when I talk about Starbucks, giving us the opportunities to do what's right when nobody else is looking, I was sent on a civil rights pilgrimage to represent Starbucks down to the South. And it was amazing, transformative experience, one in which helps me to better understand the social and the racial inequities that are going on out there. And to be able to continue to provide partners those hands-on opportunities and implement those social impact initiatives out in the stores so that it's really real and it resonates with us will much more effectively help us to be able to translate that in the communities in which we serve. So, thank you.

Howard S. Schultz {BIO 1432255 <GO>}

Thank you.

Hi, I'm Kerry Suraj (01:39:01) and I'm a two-year partner part of Partner Resources. And I love the thought behind these open forums and the transparency that we get from it, and that's something that will stay with me forever, but one will rise to the top of that and it was the impromptu forum that you hosted, Howard, immediately after you announced the decision to pass on the reins to Kevin.

It was heartfelt, it was moving. But I found myself, even only being a two-year partner, being so overcome with emotion and a rollercoaster. I think about why that was and it's because I've had the opportunity to join Starbucks to have this opportunity not only what it means for a company, but what it does for a community. I've chosen to up route with the support of my husband and my two little girls. I moved from the

Midwest here as I jumped at the opportunity for a role here, so I want to thank you for that.

But I do have a question as I've since that time reflected and thought about the range of emotions that the two of you have gone through and coming to this decision in this historic time that your families have taken on. And I'm curious as I work through my range of emotions, I can't even imagine your range of emotions and I've a question for you in terms of, you know, are there a few words of wisdom that you shared, Kevin, through this journey that you're comfortable sharing with a few hundred thousand of your closest friends?

As you can see, this is completely unscripted. What Kevin and I have spoke about privately and with the team is pretty simple when you think about trying to do the right thing. And I shared with Kevin that for many, many years when we are in our leadership team meeting and when we're in the board meeting, I try and metaphorically think about two seats in the room that are empty. One is occupied by a partner and one is occupied by a customer. And I try and be mindful of whatever we are discussing and ultimately whatever we are going to decide, is that decision going to make our partners and our customers proud.

And it's true that principle and purpose that has guided me and I know that has guided Kevin in the last few years, and there's no doubt in my mind that we're not perfect, we make some mistakes along the way, but the conscience and the heartfelt commitment we have is trying to honor our customers and our partner and make them proud of the decisions we make.

It's a pretty simple thing. Business can be very complicated, but when you reduce it down to the lowest common denominator and that is our collective responsibility as managers and leaders is to make our people better and proud and to do the same thing with our customers. That's what we have to do. The rest is MOP.

Kevin R. Johnson {BIO 3773960 <GO>}

But you ask - you asked a bit about sort of the emotions that you go through. And I - is it - shared in the video introduction that was showed today. At this point in my life, I only want to spend my time on things that bring me joy with people I love. And so that part of it is pretty simple. The harder part, though, is the fact that we've got an iconic founder who's created this wonderfully beautiful place called Starbucks. And there's a great sense of responsibility that I feel to you, to every partner in this company, to our shareholders, to our customers and the communities we serve. And at times, that can be a little intimidating, but what gives me comfort is the mission and values of the guiding principles that got us to this point today are the same ones that will guide us in the future.

The commitment of partners, all of you that I've met around the world give me great confidence that we're in this together, and the fact that still have Howard sitting in the office next door, that's kind of comforting too.

Howard S. Schultz {BIO 1432255 <GO>}

Okay. Cora. Cora, you want to say something? Okay. We'll go here, go there and then we'll go to Cora. Go ahead, please.

Unverified Participant

Hi. My name is Deborah (01:43:40) and I'm the Store Manager in San Antonio, Texas. I've been with the company for five years. My store was a veteran community store, but now it's a military family store. And last September, I have a brother who is in the Air Force currently, and last September, he suffers from PTSD, and he had an attempted suicide. And I was - we were driving to SAMMC, the military hospital down there in San Antonio, for exam, I remember looking at the building, the surroundings and I knew, as much as I lost control because my brother was in there, I knew I wasn't alone. But because of the programs that we have, the opportunities, the volunteering that we have with the military, the USO, Mission Continues, I knew I had it back at (01:44:27) people behind us, me and my family, to support us at anytime that we needed them. And I'd like to tell you thank you, thank you very much from the bottom of my heart for allowing those programs to happen here at Starbucks.

Kevin R. Johnson {BIO 3773960 <GO>}

Thank you so much.

Howard S. Schultz {BIO 1432255 <GO>}

Cora, you need to tell people who - where you work.

Cora Carter

I'm Cora Carter, I'm the Store Manager at Pike Place Market, the original Starbucks. And mainly, I just want to say thank you to Howard. There are so many stories we could all share about the amazing experiences we all have every day, but I just want to thank Howard for his amazing vision of creating a company where we feel like we belong. I know when I was in high school I always wanted to work for Starbucks, and then my parents bought a restaurant and ruined all my dreams, temporarily, and I moved after high school to Hawaii and didn't have a lot of my family or a lot of my friends around and I was thousands of miles away. And I walked into a Starbucks store and applied and instantly felt like I was supposed to be there.

I knew I belonged, I knew it was going to be my family. And now, being in Seattle at Pike Place, eight years later, a little over eight years later, I feel like it's our job as partners but especially at Pike Place to really create an environment where everybody feels safe, everybody feels welcome, everybody feels like they belong, whether it's a customer coming from all over the UK, from all over Japan, Korea, wherever they're coming from, they're going to feel like they're family and they're

going to feel like they belong there. And that goes with our partners from all over the world as well.

Howard S. Schultz {BIO 1432255 <GO>}

Thank you. How many partners work at Pike Place?

Cora Carter

Right now, about 45, but soon it will be summer. So, probably close to 60.

Howard S. Schultz {BIO 1432255 <GO>}

Thank you. Thank you.

Cora Carter

Thank you.

Howard S. Schultz {BIO 1432255 <GO>}

I think this is going to be the last one. Kevin, last.

Kevin R. Johnson {BIO 3773960 <GO>}

Last one.

Howard S. Schultz {BIO 1432255 <GO>}

Yes, please.

Unverified Participant

Good morning, Howard and Kevin. Thanks for hosting this partner forum, and congratulations on the birth of your grandson.

Howard S. Schultz {BIO 1432255 <GO>}

Thank you.

Noreen Olson

My name is Noreen Olson. I work in Risk Management. And I'm very appreciative to be one of the first 10,000 veterans hired. Today, I'm representing the Access Alliance. The information you shared earlier about the tremendous success of our hiring initiatives is awesome and inspiring. And I'm really, really proud to work for an

organization that meets a single aspirational goal, and then responds by saying that's not enough and redoubles their efforts.

Today, I'd like to mention another community of highly talented individuals who are underrepresented in the workforce. There's 57 million Americans with disabilities in our communities today, but sadly, only 20% are in the workforce compared to 68% of their non-disabled neighbors. My question for you, and of course my fervent hope, is that Starbucks can use our tremendous forces for good to find a way to create perhaps a new initiative to hire 10,000 Americans with disabilities. Thank you.

Howard S. Schultz {BIO 1432255 <GO>}

Thank you.

Kevin R. Johnson {BIO 3773960 <GO>}

Thank you.

Howard S. Schultz {BIO 1432255 <GO>}

Do you want to...

Kevin R. Johnson {BIO 3773960 <GO>}

Well, thanks. Thanks for sharing your story, and certainly, we have many opportunities to help so many people in need. And clearly, this is a community of people that we can probably do more for. I know, we've done a lot to welcome them into our stores and to make the Starbucks experience easier. But perhaps, there's much more we could do to bring them here as partners. Thank you.

Howard S. Schultz {BIO 1432255 <GO>}

Thank you. So I want to perform a special act right now. Kevin and I have had more opportunities to discuss and celebrate the transition. It feels it's happened at least five months ago. But this really is a special moment, and I wanted our partners to see it. So, I have had one piece of Starbucks that has been in my pocket for almost 35 years. When I came to work at Starbucks, I worked in the Pike Place store, and more than any other store in the world, we would not have a company without Pike Place, it really defines everything we stand for. And what I had in my pocket for the last 30-plus years was the key to the Starbucks store at Pike Place.

So, this morning, which I do every moment I can to go to Pike Place, but every annual meeting, I start off at Pike Place. I asked Kevin to join me there this morning, we did this earlier, but I want to do it in front of all of you, I am proud to give Kevin the key to the company and to the Pike Place store.

Kevin R. Johnson {BIO 3773960 <GO>}

Thank you. I must say it's a very humbling experience, but it's quite an honor. And it also comes with a lot of responsibility, and I want all my partners to know, our shareholders to know, our customers, the communities we serve, and I want Howard to know, I will not let you down. Thank you.

[Break] (01:50:38-01:51:24)

Howard S. Schultz {BIO 1432255 <GO>}

It's already been quite a meeting. We're not done yet, though. As Kevin shared with you earlier when he was in Ferguson, Missouri, opening our store there, I at the same time was in South Africa opening our first two stores in Johannesburg.

And can you show the photos of the Johannesburg store? You get to a market and you get ready to open up stores, you really never know what to expect. But this is not normal. This was a two-hour wait and it was pretty warm, and these lines have pretty much continued. It was an incredibly successful opening in Johannesburg, and now we're getting ready to open up in Cape Town as well.

But the opening in Johannesburg for me personally and emotionally was much more than a opening of a market. Whenever we open up a market, I try and make myself available to all the new partners who are going to wear the green apron for the first time, and spend some time with them, and really honor them and hear their personal story.

What happened in Johannesburg was not a usual experience. I really heard the stories of people living in townships and the poverty and the lack of opportunity and the hopelessness of so many young people. And to my surprise, all 50 partners that we hired for the two stores had never had a job before. This was their first job. You should've seen the joy on their face and the level of self-esteem that came with the opportunity to represent Starbucks to their friends, their family, and obviously, to be in front of a customer.

And as I was sitting down with them and hearing their stories, I kept hearing an African word that I had never heard before, and it kept coming up time and time again. And finally, I just said, you guys, you keep using a word I've never heard before, what is it? The word is unbutu, unbutu (sic) [ubuntu]. It's a word that Nelson Mandela used time and time again, and finally, I got up the courage to say, well, what does it mean?

And they couldn't wait to just almost yell it out, Howard, it means I am because of you. I am because of you. It has stuck with me for months, the word and its meaning. The story of unbutu (sic) [ubuntu], coupled with the success that we have enjoyed in South Africa throughout the Middle East, China, Asia Pacific, Mexico and Central America, all over Europe, and the universal acceptance of Starbucks now in 75 countries and everything you've seen today is why I'm so optimistic about the future of our company.

Yet I realize more than ever before that we do not operate in isolation. We live in a time that feels so fragile and so uncertain. We live in a time of increasing divisiveness and betrayal, a little bit of time of rising nationalism and isolationistic rhetoric. Unfortunately, we live in a time when hate and violence, both at home and abroad, threaten our shared values. And I think we all know that none of us are immune to this danger. And we long for ways in which we can help our families, our communities and, yes, our country. I think we should be asking ourselves two important questions. What is the core purpose and our reason for being and what will it take to build a great and enduring America?

When I look back on the last 25 years, two truths are self-evident today as ever before. Starbucks Coffee Company's success is rooted in the compassion and the empathy our partner show to one and other and to our customers every day, and you just saw it unscripted.

That humanity and generosity lifts all boats, and both have contributed to the creation of a company far, far greater than anyone's expectations, not simply because of the quality of our coffee or the design of our stores, but literally because of the power of the human spirit, and the power of unbutu (sic) [ubuntu].

What we have achieved as a company in the past quarter century has not been an accident. We have been guided by a set of strong core beliefs. We believe living our values is where it all starts. We believe that access to learning is access to a better life. We believe first jobs are how youth opt in to the American dream and the promise of America. We believe hiring veterans brings extraordinary talent into the business. We believe doing good in the community is critical to doing business the right way. We believe in opportunity, innovation and the entrepreneurial spirit. But the belief that transcends all is our belief in our shared humanity.

What we've learned over these years at Starbucks is that it's always been about walking in each other's shoes, demonstrating compassion, empathy and, yes, at times, love. Despite the anger and political dysfunction that dominates the news and our politics every day, we know there's a better America because we see it every day in our stores with our partners and with our customers.

The student studying to become the first in their family to graduate from college, the entrepreneur writing a business plan inside our stores, the police officer sharing a cup of coffee with community leaders, the volunteers readying for day of service and people of different faiths, races, sexual orientations and political beliefs coming together in a respectful and civil dialogue, that's what makes me so optimistic about the future of Starbucks and, more importantly, about the country we all love. To our customers and shareholders, I thank you for your trust and support throughout all these years. To the millions of partners who have proudly won the green apron at Starbucks since 1971, I humbly say thank you. I am because of you.

Thank you. Thank you. Thank you. I am because of you; Starbucks is because of you; and we are because of each other. Thank you and god bless you all. Thank you.

Thank you. Thank you. Okay. Thank you very much. We literally are not done yet. We do, traditionally, and this year is no different, have a very special treat for you.

Just a few years ago - this is where I've got to be slow. Just a few years ago, this artist was performing at local open mic sessions mostly in Texas where he lived while bussing tables and literally working as a dishwasher. And we've had a long history at Starbucks with music and, every now and then, being able to identify someone with extraordinary talent and heart and someone who really needs an opportunity and, not that this person needed an opportunity, but we have built a relationship with him and he is on fire. His first album was nominated for a Grammy, the powerful video for his song, The River, (sic) [River] earned him another Grammy nomination.

His musical career has been about passion and perseverance. His songs are sung and written from the heart and I'm so proud, ladies and gentlemen, to welcome my friend, Leon Bridges. Hey, Leon.

[Break] (02:03:54-02:13:33)

Thanks, Leon. Thank you. Please join me in thanking Leon Bridges.

Unverified Participant

Ladies and gentlemen, please welcome Executive Vice President, General Counsel and Secretary, Lucy Helm.

Lucy Lee Helm {BIO 17633691 <GO>}

Thank you. Good morning, ladies and gentlemen. My name is Lucy Helm, and I'm a 17-year partner and proud of that. I am here today for the sixth time in my Starbucks career to present the formal portion of the Annual Meeting of Shareholders. And we've experienced a lot of the great things this morning, a lot of wonderful music and inspiration that I know. I realize in my heart of hearts that this is the part of the meeting that you value the most. Anxiously considering the results of your shareholder vote on the proposals on the Proxy Statement. And in the past, I tell you I felt pretty confident in my ability to deliver those results to you clearly and accurately.

However, this past year, I have to tell you, I admit I'm a little nervous. The past several years we've all experienced a number of notable snafus in the press about the reading of important results. From Steve Harvey (02:15:15) messing up the name of Idina Menzel to Adele Dazeem and Warren Beatty and Faye Dunaway most recently mistakenly announcing the year's Oscar winner as La La Land instead of Moonlight. So you guys - if I get anything wrong, texting seems to be working and I think tweeting is big in the administration right now. So please let me know and I won't embarrass myself.

So, first, before we consider their proposals detailed in the Proxy Statement, it is my honor and privilege to introduce the 2017 nominees for our Board of Directors. All of the Starbucks board members and nominees are here today and I'll ask them to please stand as I introduce them.

Mr. Howard Schultz, our Chairman and Chief Executive Officer; Mr. Kevin Johnson, our President and Chief Operating Officer; Senator William W. Bradley, Managing Director, Allen & Company; Ms. Rosalind Brewer, former President and Chief Executive Officer, Sam's Club; Ms. Mary N. Dillon, Chief Executive Officer, Ulta Salon Cosmetics & Fragrances Inc.; Secretary Robert M. Gates, former United States Secretary of Defense; Ms. Mellody Hobson, President, Ariel Investments; Mr. Jørgen Vig Knudstorp, Executive Chairman, LEGO Brand Group; Mr. Satya Nadella, Chief Executive Officer and Director, Microsoft Corporation; Mr. Joshua Cooper Ramo, Co-Chief Executive Officer and Vice Chairman, Kissinger Associates; Mr. James G. Shennan, General Partner Emeritus, Trinity Ventures, and who, as Howard mentioned, retired from the board immediately prior to this meeting after 27 years of service; Ms. Clara Shih, Chief Executive Officer, Hearsay Systems, Inc., Mr. Javier G. Teruel, retired Vice Chairman, Colgate-Palmolive Company; Mr. Myron E. Ullman III, retired Executive Chairman, J. C. Penny Company; and Mr. Craig E. Weatherup, retired Chief Executive Officer, PepsiCo Company. Those are the nominees for the 2017 Starbucks Board of Directors.

I would also like to introduce to you Andrew Wilcox, who is representing Broadridge Financial Solutions, and he will not give me the wrong envelope. Mr. Wilcox has been appointed the Inspector of Elections to tabulate the votes today. We have received an affidavit signed by Broadridge Financial Solutions that notice of this meeting, along with related Proxy and Annual Report materials, was mailed or made available on January 27, 2017, to each Starbucks shareholder of record as of the close of business on the record date of January 12, 2017.

Based on that affidavit, this meeting is duly called with timely and proper notice. In addition, based on the information provided by Mr. Wilcox, a quorum of shareholders is present today to conduct our meeting. Please note that a list of shareholders as of the record date is available for your inspection by shareholders at the Investor Relations table, which is located in the grand lobby behind this auditorium.

The polls for the matters to be voted on today are now open. The polls were closed immediately after I present the matters to be voted on at this meeting. If you are a shareholder of record as of January 12, 2017, and you have not previously voted or you wish to change your vote, you should deliver your ballot now to the Investor Relations table on the back of the auditorium.

We will now proceed to the five proposals detailed in the proxy statement at this Annual Meeting. Because no notices were submitted within the advanced notice period in our bylaws, no nomination or proposal other than those appearing in the proxy statement will be presented at this meeting.

The matters to be considered here are all described in our proxy statement. The first order of business is the election of the director nominees is nominated by the board who I just introduced to you. The board of directors recommends a vote for each of the nominees.

The second item of business is the approval of an advisory resolution on executive compensation. The board of directors recommends a vote for this proposal.

The third item of business is an advisory resolution on the frequency of future advisory votes on executive compensation. The board of directors recommends an annual vote regarding this proposal.

The fourth item of business is a ratification of the selection of Deloitte & Touche LLP as the company's independent registered public accounting firm for the current fiscal year ending October 1, 2017. The board recommends a vote for this proposal.

The fifth and final item of business is the shareholder proposal and supporting statements submitted by Mr. James McRitchie, regarding an amendment to the Starbucks' proxy access bylaw. I would now like to recognize Mr. Todd Paglia (02:20:18), a representative of Mr. McRitchie, for a period of three minutes.

Mr. Paglia (02:20:25), would you please come to the microphone?

Unverified Participant

Thank you. I'm here to advocate for proposal five proxy access amendments. This proposal asks the board to make three amendments to the company's proxy access bylaws which allow shareholders holding 3% of shares or \$2.4 billion continuously for three years to nominate two directors and place their names on the proxy.

First, the proposal asks the shareholders be able to nominate 25% of the board instead of 20%. We have seen what kind of numbers are required to make real change happen on boards. Second, Starbucks' bylaws limit the number of shareholders that can form a nominating group to 20. Each would have to hold an average of \$72 million in stock continuously for over three years, I emphasize continuously.

As of the end of the last reporting period, there were 73 institutional investors that held at least \$120 million of stock, then only 53 for three consecutive years. Most of these funds have never filed a proxy proposal or participated in an activist campaign. They're highly unlikely to ever join in nominating group regardless of the circumstances. This proposal would allow for any or all of our companies more than 350 institutional investors that have held their shares with the years to form a nominating group.

Third, current bylaws prohibit re-nomination of candidates receiving less than 25% of the votes. There has never been a proxy access candidate at any company. Once that

happens, it will take shareholders some time to understand the process and the candidates. It will take some time to elect proxy access candidates. This proposal would remove the threshold for re-nomination. Proxy access at Starbucks today is somewhat illusory.

Just as the word natural does not mean organic, proxy access at Starbucks does not mean shareholders can actually nominate even a single director. Real proxy access will drive a competition for ideas and talent among board candidates and create direct accountability to us, the shareholders, a vote in favor of proposal five.

And I would also like to bring up an issue that many of us experienced coming into this meeting today, which was somewhat disturbing. This is an incredible company, a leader in so many different progressive issues, and the protesters outside were talking about the Starbucks cup, which is not recyclable still.

Lucy Lee Helm {BIO 17633691 <GO>}

Mr. Paglia (02:23:15)

Unverified Participant

This is an amazing thing, given...

Lucy Lee Helm {BIO 17633691 <GO>}

Mr. Paglia (02:23:18)

Unverified Participant

Your record of incredible progressive work. Costa announced today, the number two coffee chain, that they're piloting a recyclable cup, the cup that Starbucks promised to bring into its stores by 2015. So, I'm asking you, given all the amazing things that this company has done, why is it still dragging its feet on living up to the promise of delivering a recyclable cup that doesn't cost over 1 million trees per year. Where Starbucks goes, the world will follow. Please make your cup recyclable. Thank you.

Lucy Lee Helm {BIO 17633691 <GO>}

Thank you, Mr. Paglia (02:23:58). As to the second question that is not related to the proposal, we'll take that up in the question-and-answer period after this formal portion of the meeting. Thank you for your input on the resolution number five. Respectfully, the board recommends a vote against this proposal for the reason set forth in the company's proxy statement.

Ladies and gentlemen, that concludes the matters to be voted on as outlined in the Notice of Annual Meeting. Because no other proposals were submitted within the advanced notice period in our bylaws, no other business matters are in order. In

accordance with our bylaws, and at this time, I hereby declare the polls for voting at our 2017 Annual Meeting to be closed.

I have received the preliminary tabulation from Mr. Wilcox. And based upon that tabulation, I can tell you that all the director nominees were elected, each of the management proposals were approved, and the shareholder proposal regarding an amendment to our proxy access bylaws was not approved. The final results will be reported on a Form 8-K within four business days of the meeting.

That now concludes the formal business, and I declare the formal meeting to be adjourned.

I now turn the meeting back to Howard, Kevin, and our CFO, Scott Maw, for the Q&A session. Any shareholders who does not have an opportunity to ask a question during the Q&A may submit their question by going to the investor relations table in the grand lobby and completing a comment card. Thank you.

Howard S. Schultz {BIO 1432255 <GO>}

Thank you, Lucy.

Lucy Lee Helm {BIO 17633691 <GO>}

Thank you.

Q&A

A - Howard S. Schultz {BIO 1432255 <GO>}

Perhaps, we'll take the cup question that was posed earlier as the first question while people come to the microphones. Look, I believe that there's no one doing more than Starbucks to make our cups greener. Since 2006, we introduced more than 10% of the content in our cups as post-consumer fiber. We've championed reusable cups and created incentives for customers to use reusable cups. We've re-engineered the lids and worked with recycling organizations around the world and in the different markets that we do business in.

Does that mean we could do more? Certainly. We're constantly working. And sustainability is a big part of our mission and our agenda. But I think - and all due respect to the way the question was framed, we think we have done quite a bit in the industry to make our cups green, and we will continue to do more. Thank you.

Fellow shareholders and members of the board, my name is Bruce Speight (02:26:36), and I'm here on behalf of Green Century Capital Management, an environmentally responsible mutual fund company. Over the past few months Green Century has worked closely with Starbucks as it developed its new antibiotics policy to eliminate the routine use of medically important antibiotics in the poultry supply

chain by 2020. This commitment is significant and valuable to shareholders and customers.

Congratulations to Starbucks for taking an important leadership role on this issue. The company's commitment comes at a crucial time when antibiotic resistance has been named a global public health threat expected to kill 10 million people a year by 2050. Starbucks' commitment offers material value to the company and its shareholders through mitigation of reputational and regulatory risk, innovation, in adaptation to changing consumer preferences, and in upholding of company values.

With this commitment, Starbucks has joined a growing group of companies that has moved to reduce the use of antibiotics in the meat supply chain, such as Panera, Chipotle, McDonald's, Perdue Farms, and Tyson Foods. By acting now, we believe that instead of lagging behind the industry and risking competitive disadvantage or reputational damage, Starbucks is instead fortifying its brand value and market share.

Starbucks' new commitment is also forward-thinking. Consumer preferences are rapidly changing to favor sustainable and safe foods. From 2011 to 2015, antibiotic-free meat sales grew over 28%, while conventional meat sales grew less than 5%. Starbucks' commitment demonstrates the company's ability to innovate in response to shifting market conditions, differentiating itself in an otherwise highly competitive market.

And finally, Starbucks' antibiotic policy demonstrates a commitment to the company's core values of offering responsibly produced, high quality, and sustainable products, upholding existing consumer trust and brand respect.

To summarize, antibiotic misuse in agriculture is a major contributor to one of the most pressing public health crises of our time. As a concerned investor, Green Century thanks Starbucks for its leadership, foresight, and commitment to creating shareholder value and protecting the health of all consumers. We look forward to continuing to work with Starbucks on this issue. Thank you.

A - Kevin R. Johnson {BIO 3773960 <GO>}

Thank you.

A - Howard S. Schultz {BIO 1432255 <GO>}

Thanks for your comments.

Q - Jan Drago

Hi. My name is Jan Drago. I am a shareholder, but am also a Board Member of Mary's Place. I'm here to say thank you. Mary's Place is a non-profit that provides shelter and services to children and their families. In this December, we ran a campaign called No Child Sleeps Outside. And I want to say thank you to Starbucks customers in King County, to all of Starbucks partners, to the Starbucks company,

Starbucks Foundation, and the Sheri and Howard's Schultz Foundation to helping us raise \$4.5 million in less than 30 days. We're already putting that money to good use. Just yesterday, we opened the first shelter and facility outside of Seattle in White Center. And I can promise you that we will continue to operate effectively and efficiently as we go forward.

A - Howard S. Schultz {BIO 1432255 <GO>}

Thank you.

Q - Jan Drago

Now, I do have a question or a comment. Well, we know that the fastest way to solve the homeless problem is for people to have a home. And the most direct route to having a home is having a job. So, maybe could consider yet one more initiative to hire 10,000 homeless people. And thank you, Howard, and thank you, Kevin.

A - Howard S. Schultz {BIO 1432255 <GO>}

Thank you very much.

A - Kevin R. Johnson {BIO 3773960 <GO>}

Thank you very much.

A - Howard S. Schultz {BIO 1432255 <GO>}

Thank you.

Q - Justin Danhof

Hi. Good morning. I'm Justin Danhof, from the National Center for Public Policy Research. In response to President Trump's first Executive Order on immigration, Mr. Schultz, you wrote very publicly, "With a heavy heart, we are witness to the conscience of our country and the promise of the American dream being called into question." And that's of course when you announced plans to hire 10,000 refugees over the next five years.

However, according to Business Insider, since that announcement, "Starbucks brand has taken a beating." Starbucks said it would focus on hiring refugees, who have served with U.S. troops as interpreters and support personnel. While that sounds noble, it's also interesting because ABC News reported that in 2011, after discovering two Al Qaeda members with links to Iraq operating in Kentucky, the State Department stopped processing Iraq refugees for six months. Even for many who had heroically helped U.S. forces as interpreters and intelligence assets. One Iraqi refugee, who had aided U.S. troops, was assassinating during this President Obama and Secretary of State, Hillary Clinton, travel ban. Where was your heavy heart then?

The media didn't even report on the Obama and Clinton travel ban until 2013, two years later. Starbucks didn't seem to have anything to say about it then either. I have two quick questions. I understand that, as you said, not every decision is based on

economics, but economics are a hard reality. So, the first question is, how much will Starbucks investors have to spend, so that the company can properly vet refugees that the Federal Government admits it can't always afford to vet. And why were you willing to have Starbucks reputation take a beating by attacking President Trump's executive order, when you lack the courage to speak out against the Obama-Clinton travel ban?

A - Howard S. Schultz {BIO 1432255 <GO>}

Let me try and answer the two questions and remove the rhetoric from questions. If there is one message that I think I hope you came away with today is that none of the things that we have tried to do as a company, which is based on humanity and compassion, is based on politics, but it's based on principle and our core beliefs, which I've tried to really outline very specifically.

First off, on the issue of brand dilution or anything happening as a result of our business with regard to the 10,000 hiring of refugees globally, I can unequivocally tell you, and we all know this from the research we've done, that there is zero, absolutely no evidence whatsoever, that there's any dilution in the integrity of the Starbucks' brand reputation or our core business as a result of being compassionate.

You keep referencing President Obama versus President Trump. This is not about politics. And there's no additional cost to Starbucks as a result of vetting. But when you do have people who have defended the nation and saved lives in very, very unsafe areas as interpreters helping American soldiers, we strongly believe that we have a moral obligation to help them transition back into United States. Thank you very much.

Next question?

Thanks, Howard. Congratulations on the birth of your grandson and on the new challenges that I'm sure will keep making Starbucks an even greater company. Congratulations, Kevin, on the venti shoes to fill. But from everything we've heard today, I'm very sure that you're going to carry the torch and pick up the mantle on the wonderful corporate culture that Starbucks enjoys.

My name is Claudio Brocado (02:35:52). I'm a stock - global stock portfolio manager, who used to manage funds for Fidelity and other global organizations. Over my long career, I invested in hundreds of companies. Starbucks, I've been fortunate to be an early shareholder of Starbucks and I never sold my shares and that allowed me to retire early. So, thanks, again.

In reading your books, Howard, one of the things that really inspire me is that you really have walked the walk. And you really have led by example, and been through to the company's values, and I agree with you that Wall Street needs to put more value on values. So, in the long run - there's some debate as to whether companies should be for shareholder interest.

I think you're living proof that in the long run, which is what really matters, the interest of all stakeholders converged, the way you treat partners and - reflects how they treat customers, which generates a lot of business and the growth that we've been experiencing as shareholders. So, all of our stakeholder interest really converge. So, I applaud the fact that all Starbucks' employees get stock. Also, the success of the rewards program shows that rewards members, as you've showed us, increase the value of the business for Starbucks.

So, my question is and my suggestion is why not make more consumers shareholders of Starbucks? I know that there are headaches that would be involved in managing such a program would be very big. But there's this new company called Stockpile that allows even fractional ownership of stock. So, you could give rewards members, certificates...

Okay, I think we got it.

Thanks.

Kevin?

A - Kevin R. Johnson {BIO 3773960 <GO>}

Yeah, I'll just comment. I am aware of some of the new models for micro funding of equities and stocks. And it's something we've looked at. It's not something that is currently on our roadmap for futures, but it's something we'll continue to evaluate along with many other great ideas. So, thank you very much.

A - Howard S. Schultz {BIO 1432255 <GO>}

Thank you for your support, sir.

Thank you.

Because there is a number of people let's try and limit the question to just a few minutes. Thank you so much.

Kevin. My name is Howard Katz (02:38:19), and I want to thank you...

A - Kevin R. Johnson {BIO 3773960 <GO>}

Mr. Katz (02:38:21).

Q - Howard S. Schultz {BIO 1432255 <GO>}

For recognizing me.

A - Kevin R. Johnson {BIO 3773960 <GO>}

It's good to see you, sir. Mr. Katz, this would not be a meeting without you.

Q - Howard S. Schultz {BIO 1432255 <GO>}

And I wanted to say I would loan you my name, Howard. But Howard Johnson would never work.

A - Kevin R. Johnson {BIO 3773960 <GO>}

Okay. Your question sir?

Q - Howard S. Schultz {BIO 1432255 <GO>}

Okay. I was honored to go to Washington D.C. as a veteran - as a Korean veteran, as a World War II veteran, and now have been flown to Washington D.C., and you had to have a guardian. And because Starbucks is all over the United States, we could have our new veterans be guardians. You had to have a guardian to go to Washington D.C. I went at no cost. I want to suggest that we have our newer veterans - take the veterans at Midguardians (02:39:28) to Washington, D.C. when they start to get there again this spring.

Wonderful idea.

A - Kevin R. Johnson {BIO 3773960 <GO>}

Great idea.

A - Howard S. Schultz {BIO 1432255 <GO>}

Thank you. Thank you.

Hi. My name is Erin Myolo (02:39:46). I am coming on three years as a partner, and I'm at the Reserve Roastery & Tasting Room in Seattle. First, I need to very quickly, I promise, thank you, Howard. If it wasn't for the social practices and the treatment of your partners that you'd implement, I would have never applied to Starbucks. And if I hadn't, I would have never met a man named Anthony (02:40:13) back in Connecticut in my original store, and had him join me flying out here for the Roastery, a year later and be getting married to him in 24 days. So, wanted to thank you.

My completely unrelated question. Last year, I stepped forward and asked about introducing more information about our C.A.F.E. Practices to customers and making that information more accessible rather than just having a single page on 1912 Pike, and a few other smaller pieces. And I know there's been a lot of development with the Roasterys and everything else. So, wanted to ask if that was something on either of your platters that was planning to be a little more forward in your implementation.

Great idea.

A - Kevin R. Johnson {BIO 3773960 <GO>}

Well, certainly the 1912 Pike site is all about sharing information about coffee, C.A.F.E. Practices, and what we're doing to help coffee farmers around the world, and ensure that we're doing our part for sustainability and helping farmers. I know, Sharon Rothstein, our Chief Marketing Officer, and her team are trying to find ways to get the content and some of the information we have on 1912 Pike out to more places. So, thank you for your suggestion.

Q - Howard S. Schultz {BIO 1432255 <GO>}

Thank you.

Congratulations.

Thank you very much.

Hi. My name is Adam (02:41:45), and I am a former partner, current shareholder. I'm actually here today with Kristen (02:41:52) right behind me on behalf of Working Washington. And building on the question that was asked in the impromptu open forum regarding paid family leave, I wanted to just quickly tell my story where I moved to Seattle from Dallas, Texas, four-and-a-half years ago for my previous job at Starbucks. And in less than a year, my now-wife and I had discovered we were going to become parents.

And at that time, with the paid family leave - or excuse me, with the family leave policy, we determined that me taking time off was simply not going to be an option. It would create too much financial strain. So, in light of that, I do, like the woman on stage, think it's worth commending Starbucks for taking a step in the right direction of trying to offer paid family leave, that I think a company of this size to be doing that, it's really a huge step and I appreciate that from what I'm seeing is there's a dialogue opening up about what is the path forward for this policy. And I'm kind of curious to hear more about that.

Perhaps, I think Kristen (02:43:10) can put it in a little bit of context well. She's a current partner.

Hi. My name is Kristen Piccolo (02:43:16). I am current partner in Medina, Ohio. And I'm a new mom. My son is four months old. And I flew to Seattle because I know as a parent how important it is to spend those first few months with your new baby. Right now, the in-store partners are not included in the new paid parental policy. And I just want you to maybe reconsider and extend this crucial benefit to all employees.

A - Kevin R. Johnson {BIO 3773960 <GO>}

Well, thank you for sharing your story and congratulations on the birth of your child. Certainly, we are a company that has always been very creative and innovative in the way we provide benefits to our partners, beginning with healthcare for part-time workers, Bean Stock, the College Achievement program. And as we went into this year and getting feedback from our partners in the United States, there was some decisions we had to make. One of which was a significant increase in wage for our

retail partners, along with an enhancement to our healthcare benefits for the private exchange, which has saved partners millions of dollars in healthcare.

And so, in making those decisions, we also juggled the decision around parental care or parental leave. And we made the decision to enhance parental leave for our retail partners by providing 100% paid for the six-week period. The same is that we had for our non-retail partners. And then, for the 12-week period following that, we had to make a hard decision in terms of how to prioritize where we were getting feedback from our partners. And that's where we ended up providing our retail partners the unpaid leave option that allows their healthcare to continue and everything else while they spend that time.

That said, we are always taking feedback from partners, and this was just one point in time as we had to make a set of decisions. And I understand Ron Crawford and our Benefits organization had a very good dialogue with you and your feedback and your perspective was very helpful. So thank you so much for sharing your story for the question.

A - Howard S. Schultz {BIO 1432255 <GO>}

Thank you.

Hello. Again, I am Jin Kellogg (02:45:37) from Tacoma, Washington, just South of here. And last year, I made a simple request that you update some of the furnitures that you had changed that made it not as conducive today, just being at Starbucks and helping out. And you stunned me by saying, give me a month. Well, you made the changes. I love the store. I'm back every day. And just a big shout out to Kara and Sarah, Manny (02:46:03) - the partners, and Stephanie and Stacy (02:46:07) and all the people that make my day wonderful every day. So, it's kind of trivial, but you do things big and small, and I just can't say enough.

Thank you.

A - Kevin R. Johnson {BIO 3773960 <GO>}

Thank you.

A - Howard S. Schultz {BIO 1432255 <GO>}

Thank you. We are - we promised everyone we'd be done by 1:00, and I think this is probably the last question or two. So, sorry. I think that's Melody (02:46:32).

Hi. Yes, my name is Melody (02:46:37). And actually, I'd been thinking about a big question about the Global Month of Service which, I think, is so important and extending that, although I will admit listening to the introductions of everybody early today, I had visions of a LEGO Roastery as a product item at the LEGO, the Roastery.

We'll give that one to you. Brilliant.

But - yes. So, I wanted to actually wonder about how we can expand the Global Month of Service and give it visibility year round. And I really do think it's one of those things that has led to my Starbucks addiction. I sometimes tell stories, a short version of it is that one time I was planting trees, and I looked over, and there was Cliff (02:47:26) with a shovel doing the same thing right next to me. And it's amazing that you give back at every single level.

There's a Subway guy who lives in the same community, me and Cliff (02:47:39) planting trees. And I would like to see the website where people volunteer to have more visibility and the Global Month of Service have visibility, and maybe even a few more relationships with the Mission Continues, which is such a great organization and also does community service right here in our community.

Melody (02:48:00), we'll take that under consideration. Thank you very much for your support at Starbucks. Thank you. You have the last question, sir. Last question.

Thank you. And this is for Kevin. So, getting back to the cup issue from an innovation point of view because I know you like innovation. So, when Starbucks was in its big drive to solve the cup issue, which you identified as a major problem, you may have been less involved. And in fact, the cup that is fully recyclable, which is made by Smart Planet Technologies, which I have no financial interest in, wasn't invented until 2014. It was after the big push by Starbucks. This is a cup that is fully recyclable, one of your competitors is trying it out. It's a way to avoid killing a million trees per year and to reduce the climate change.

A - Kevin R. Johnson {BIO 3773960 <GO>}

What's your question?

Q - Howard S. Schultz {BIO 1432255 <GO>}

My question is will you return to your promise to solve the cup issue by 2015, now that it's 2017?

A - Kevin R. Johnson {BIO 3773960 <GO>}

What I'd like to do, if you wouldn't mind, I'd love to sit down with you personally and our team in the innovation and learn more about your ideas and thoughts. So, thank you.

Q - Howard S. Schultz {BIO 1432255 <GO>}

Thank you.

Well, on that note, I can't end the meeting like that. I need one more question. Who's got it?

Hi.

Okay.

I'm Crystal Williams (02:49:26). I'm a 12-year partner. I've also been clean and sober for over 14 years. This last year I joined the Access Alliance and represent for addiction and recovery, and I just wanted to say very much thank you because this year, we started a 12-step recovery meeting at the SSC at Thursdays at noon. If anyone, we have flyers around the building. But I just - everyone talks about their being their authentic self, and I'm really honored and touched if that's something that's available for us at work, and that I don't feel it's something I have to hide. I can talk about it, and it's respected. Thank you.

Thank you very much.

A - Kevin R. Johnson {BIO 3773960 <GO>}

Thank you so much.

A - Howard S. Schultz {BIO 1432255 <GO>}

All right. Lucy says we have to hear...

A - Lucy Lee Helm {BIO 17633691 <GO>}

Call on Xavier (02:50:13).

A - Howard S. Schultz {BIO 1432255 <GO>}

Go ahead.

Thank you, thank you.

All right. Before you start, I think Lucy's next gig is going to be a little stand-up comedy at the jazz club on Friday. Where did that come from?

A - Lucy Lee Helm {BIO 17633691 <GO>}

I don't know, Howard.

A - Howard S. Schultz {BIO 1432255 <GO>}

Go ahead.

Yes. Well, first of all, I'm just blown away by this experience. Over 14 years ago, I was released from prison. I came out after 13 years, having been incarcerated since I was a child. I made a horrible mistake when I was a child. I went to the system at an age when I was very impetuous, risk taking, and impulsive. I grew up in a very negative and non-nurturing environment, infested with gangs, containing also with mental illness and substance abuse within my home.

When I came out of prison at age 26, I had a dream and hopes to recreate my life and start anew. I had a bachelor's degree that I earned in prison, and I thought it will be easy. Organization after organization, job after job, many stores have denied me an opportunity because of my criminal conviction. Many people chose to judge me based upon the single worst thing I had ever done.

But one day, I was given an opportunity to walk into a Starbucks store on the South Side, Chicago, where I grew up. When I walked in, I sat down with the store manager who looked at me in my eye and said, Xavier (02:51:54), I'm not going to judge you based upon what you did in the past. I'm going to judge you based on who you are today and what you aspire to be.

Because of that opportunity, I was able to go to school part-time and earn a master's degree. Because of that opportunity to work as a barista, a proud barista, I was able to continue on in advancing my career and becoming a Juvenile Justice Diversion Program Coordinator, becoming a Clinical Research Interviewer with Northwestern, and now working with a national campaign as leading the effort to end Life Without Parole for kids in the justice system.

Just last week, we heard that Arkansas, because of our effort, has chose to abolish Life Without Parole for kids who are sentenced as young as 13 and 14, who deserve the same opportunities that I was given. Because of that, I'm happy to stand here in your presence and say that I was a part of that effort. And most importantly, you made it possible. Thank you.

Thank you. Thank you, all. Thank you for sharing that. Thank you for having the courage to share your story with us. I can't think of a better way to conclude today's meeting. Thank you all very much for being here, for listening to our story, and welcoming Kevin as the next CEO of Starbucks Coffee Company. Thank you very much.

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