

# Shareholder Engagement

Strategic Priorities | Executive Compensation | Corporate Governance | Global Social Impact

February 8, 2019





## FORWARD-LOOKING STATEMENTS

Certain statements contained herein are “forward-looking statements” within the meaning of the applicable securities laws and regulations, including financial targets. Generally, these statements can be identified by the use of words such as “anticipate,” “expect,” “believe,” “could,” “estimate,” “feel,” “forecast,” “intend,” “may,” “plan,” “potential,” “project,” “should,” “will,” “would,” and similar expressions intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These forward-looking statements are based on currently available operating, financial and competitive information and actual future results may differ materially depending on a variety of factors and uncertainties including, but not limited to, fluctuations in U.S. and international economies and currencies, our ability to preserve, grow and leverage our brands, potential negative effects of incidents involving food or beverage-borne illnesses, tampering, adulteration, contamination or mislabeling, potential negative effects of material breaches of our information technology systems to the extent we experience a material breach, material failures of our information technology systems, costs associated with, and the successful execution of, the company’s initiatives and plans, including the integration of Starbucks Japan and the East China business and successful execution of our Global Coffee Alliance with Nestlé, the acceptance of the company’s products by our customers, our ability to obtain financing on acceptable terms, the impact of competition, the prices and availability of coffee, dairy and other raw materials, the effect of legal proceedings, the effects of changes in U.S. tax law and related guidance and regulations that may be implemented, and other risks detailed in the company filings with the Securities and Exchange Commission, including the “Risk Factors” section of Starbucks Annual Report on Form 10-K for the fiscal year ended September 30, 2018. The company assumes no obligation to update any of these forward-looking statements.

### Non-GAAP Financial Measures

This PowerPoint presentation includes certain Non-GAAP financial measures. Please refer to slides 25 to 27 for more information regarding these Non-GAAP financial measures, including a reconciliation of these Non-GAAP financial measures to their most directly comparable measures reported under United States GAAP.

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# Strategic Priorities and Financial Guidance



# Growth at Scale . . . with Focus and Discipline



STREAMLINE



THREE STRATEGIC PRIORITIES

ACCELERATE CHINA AND U.S.	EXPAND GLOBAL REACH	INCREASE RETURNS
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BUILD THE BRAND

# Q1 Fiscal 2019 Global Results Reinforce Confidence in Strategy



NET NEW STORE GROWTH  
(LAST 12 MONTHS) 7%



COMP GROWTH 4%



NET REVENUE GROWTH  
(GAAP) 9%



EPS<sup>(1)</sup> \$0.61 GAAP  
\$0.75 Non-GAAP

(1) Please refer to the reconciliation of GAAP and Non-GAAP EPS beginning on slide 25.

# Fiscal 2019 Global Financial Guidance



NET NEW STORE GROWTH ~7%



COMP GROWTH 3% - 4%



NET REVENUE GROWTH  
(GAAP)

5% - 7%,  
includes ~2% net negative impact  
related to Streamline-driven activities



EPS RANGE<sup>(1)</sup>

\$2.32 - \$2.37 GAAP  
\$2.68 - \$2.73 Non-GAAP

(1) Please refer to the reconciliation of GAAP and Non-GAAP EPS beginning on slide 25.

# Executive Compensation

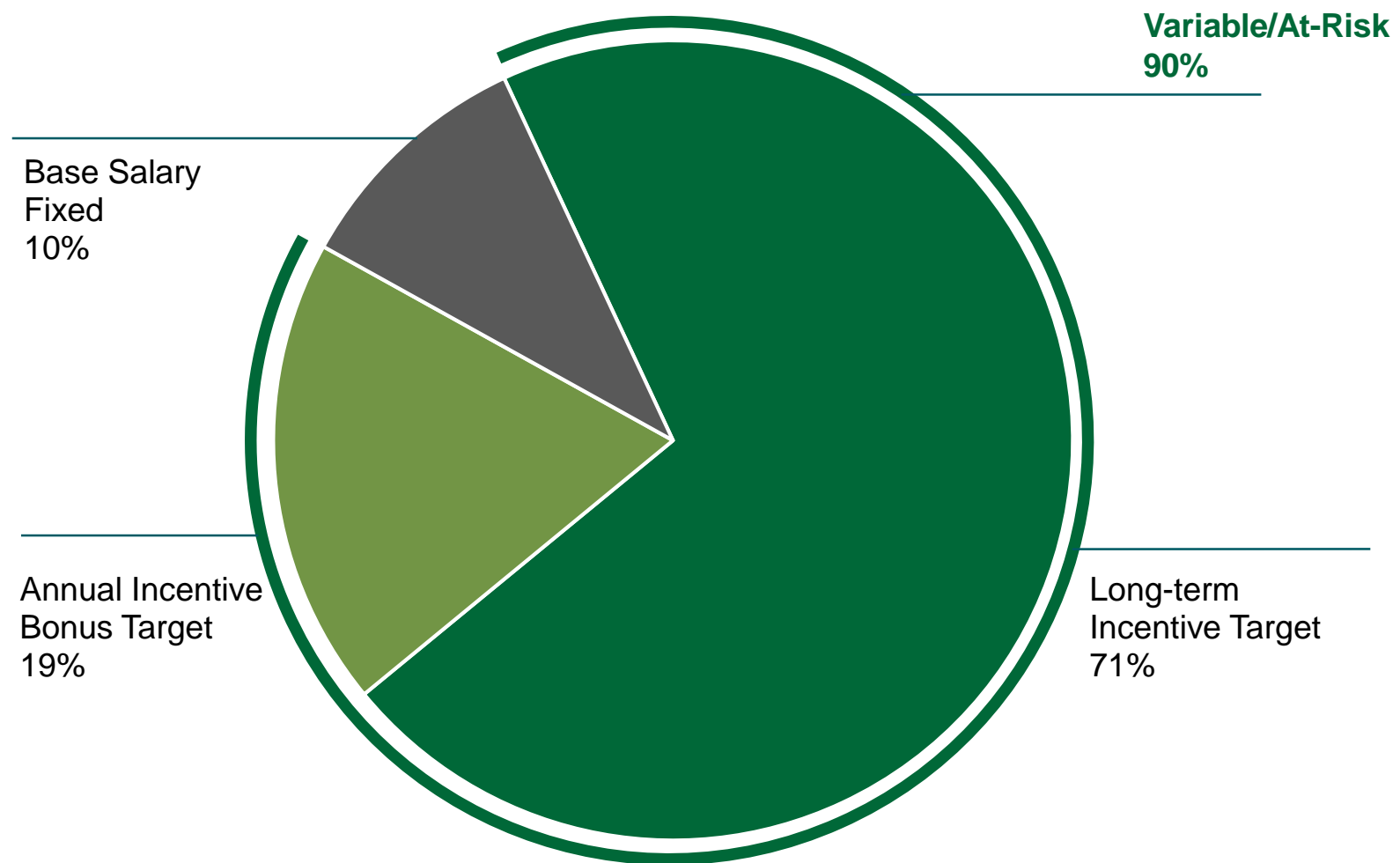




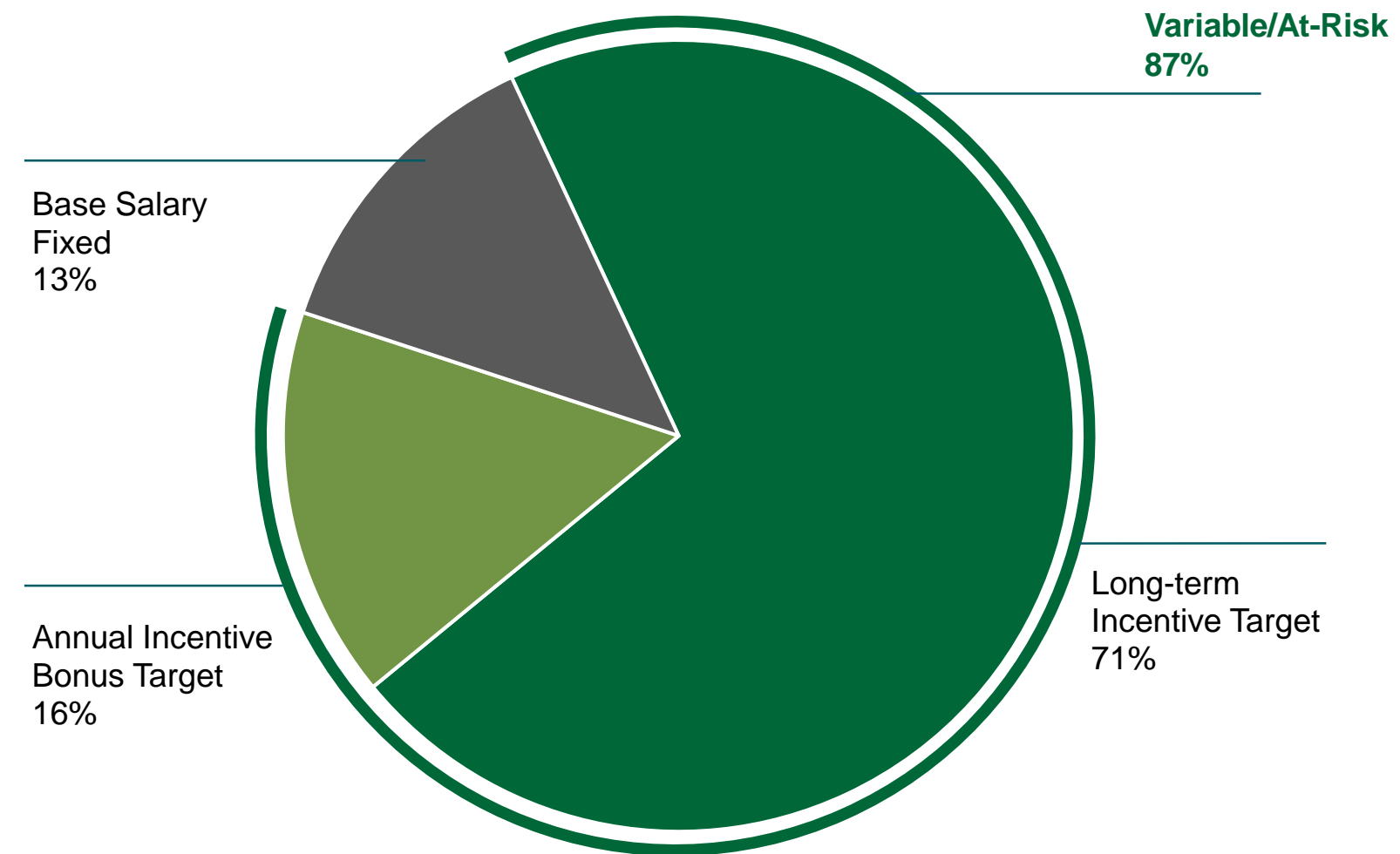
# Fiscal 2018 Pay-for-Performance

Starbucks executive compensation program reflects strong pay-for-performance alignment tied to overall company results, with the vast majority of pay structured as variable and “at-risk.”

president & ceo



All other named executive officers (NEOs)<sup>(1)</sup>



(1) Excluding our former executive chairman, Howard Schultz, whose compensation was 100% variable and at-risk.



# Fiscal 2018 Pay-for-Performance

The following generally describes the performance measures applicable to our fiscal 2018 short-term and long-term incentives:

## Fiscal 2018 Short-Term Incentive Plan

### Cash based on objective performance goals:

Adjusted  
net  
revenue

weighted at  
**40%**

Adjusted  
operating  
income

weighted at  
**60%**

*Umbrella plan permits discretionary adjustments, but this is not a core design element.*

## Fiscal 2018 Long-Term Incentive Plan

### Performance RSUs (60%)

- Number of shares earned dependent upon achievement of two-year EPS goal
- ROIC can modify result downward

### Stock Options (40%)

- Realizable value dependent on future share price appreciation



# Fiscal 2018 Financial Results Under Incentive Plans<sup>(1)</sup>

In line with our emphasis on pay-for-performance against rigorous internal goals, compensation awarded to our NEOs for fiscal 2018 reflected the following financial results:

Annual Incentive Bonus Plan <i>(\$ in millions)</i>		Performance RSUs	
Adjusted Net Revenue	Adjusted Operating Income	Adjusted EPS	ROIC
\$24,065.8	\$4,424.8	\$2.079	26.4%
80%	0%	0%	Modifier (N/A given 0% EPS payout)
\$23,142.1 - \$25,090.9 Perf. Target Range	\$4,494.6 - \$5,267.8 Perf. Target Range	\$2.384 - \$2.683 Perf. Target Range	23.9% - 25.1% Perf. Target Range
<b>Certified Payout: 32%<sup>(2)</sup></b>		<b>Certified Payout: 0%</b>	

(1) These financial performance metrics were used in determining (i) payouts of annual incentive bonuses, and (ii) the number of Performance RSUs earned with respect to awards granted in FY17. Note that these financial measures differ from the financial measures we otherwise disclose, as these measures are adjusted to exclude the impact of certain non-routine and other items in accordance with the terms of our annual incentive bonuses and our 2005 Long-Term Equity Incentive Plan. Further information regarding these measures and related adjustments is included in the Compensation Discussion & Analysis section of our proxy statement for our 2019 Annual Meeting of Shareholders.

(2) The Compensation Committee exercised discretion provided under the plan to adjust annual incentive bonuses of two NEOs to award outstanding individual performance.



# Fiscal 2019 Incentive Plan Design

Following fiscal 2018, the Compensation Committee approved modifications to our fiscal 2019 compensation program considering:

1

**Shareholder feedback** to foster long-term shareholder value creation and pay-for-performance alignment

2

Formulaic incentive plan design that **did not incorporate individual contributions** that drive shareholder value

3

Retention of top talent following **multiple years of below target realizable pay**



# Fiscal 2019 Incentive Plan Design

## Annual Incentive Bonus Plan

**Current Design**

$$\text{Base (\$)} \times \text{Target Annual Incentive Opportunity (\%)} \times \left[ \text{Net Revenue (weighted 40\%)} + \text{Operating Income (weighted 60\%)} \right]$$

**FY19 Design**

$$\text{Base (\$)} \times \text{Target Annual Incentive Opportunity (\%)} \times \left[ \text{Net Revenue (weighted 40\%)} + \text{Operating Income (weighted 60\%)} \right] + \left[ \text{Individual Performance Factor} \right]$$

weighted 70%
weighted 30%

## Long-Term Incentive Plan

**Current Design**

$$\text{2-yr EPS Target} \times \text{2-yr ROIC Target (downward modifier only)} + \text{Stock Options}$$

60% Performance RSUs
40% Stock Options

**FY19 Design**

$$\text{Annual EPS Performance Averaged Over 3 Years} \times \text{3-yr rTSR vs S\&P 500 (upward \& downward modifier)} + \text{Time-Based RSUs}$$

60% Performance RSUs
40% Time-Based RSUs

# Corporate Governance



# Fiscal 2018 Corporate Governance Highlights

Independent Director  
Nominees

**8 of 10**

Mandatory  
Retirement Age

**75**

Full Board  
Meetings

**9**

Board  
Evaluations

**Annually**

Frequency of  
Board Elections

**Annual**

Director  
Equity Grants

**Yes**



# Independent, Diverse and Experienced Board of Directors



Rosalind G. Brewer \*



Mary N. Dillon



Mellody Hobson  
(Independent Vice Chair)



Kevin R. Johnson\*



Jørgen Vig Knudstorp



Satya Nadella



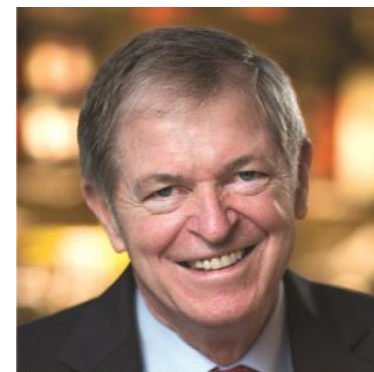
Joshua Cooper Ramo



Clara Shih

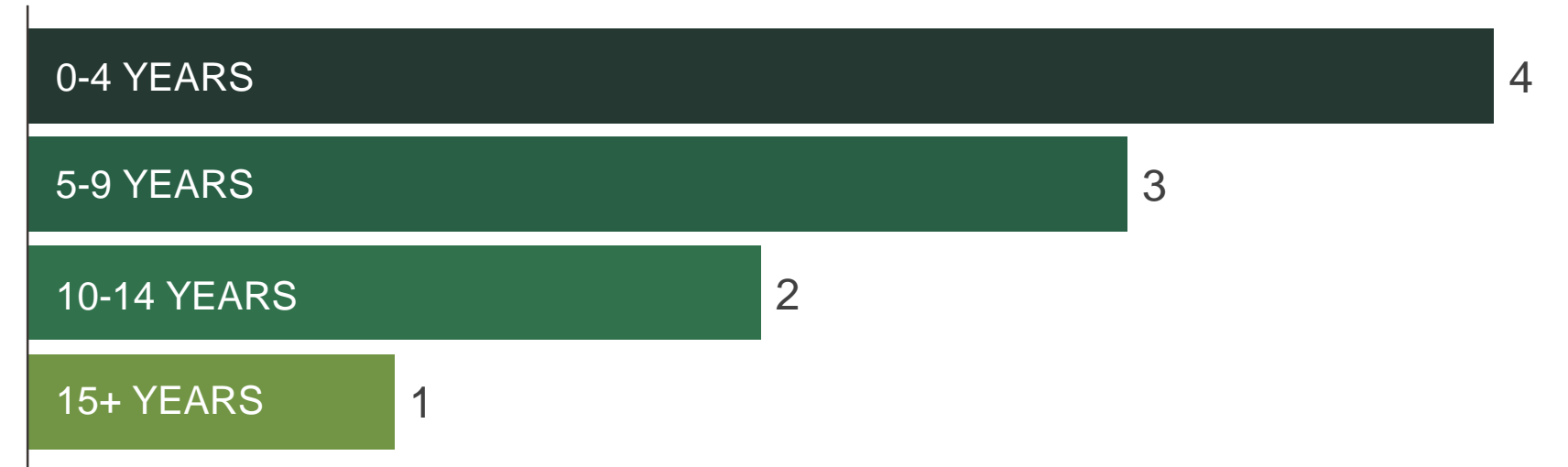


Javier G. Teruel

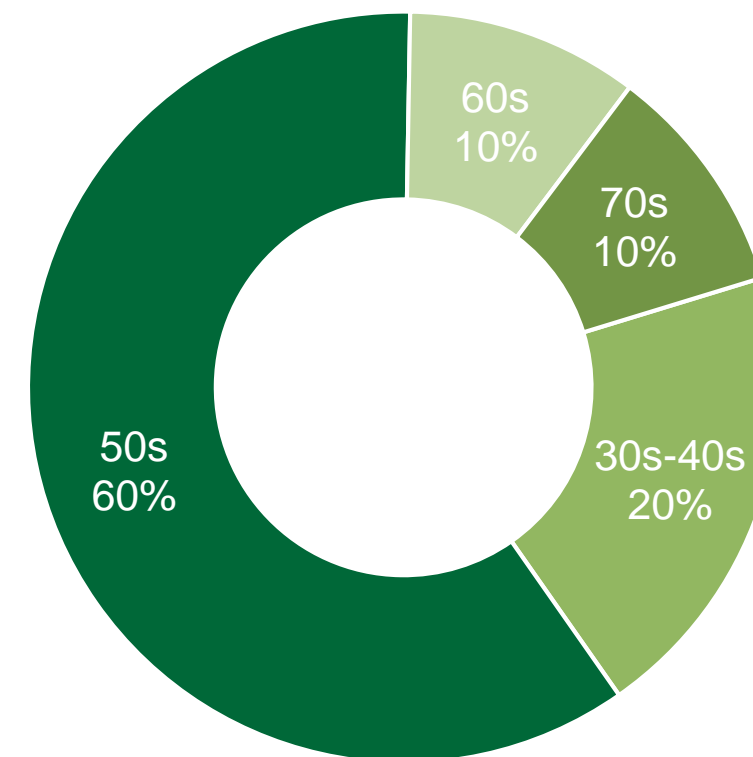


Myron E. Ullman, III  
(Independent Chair)

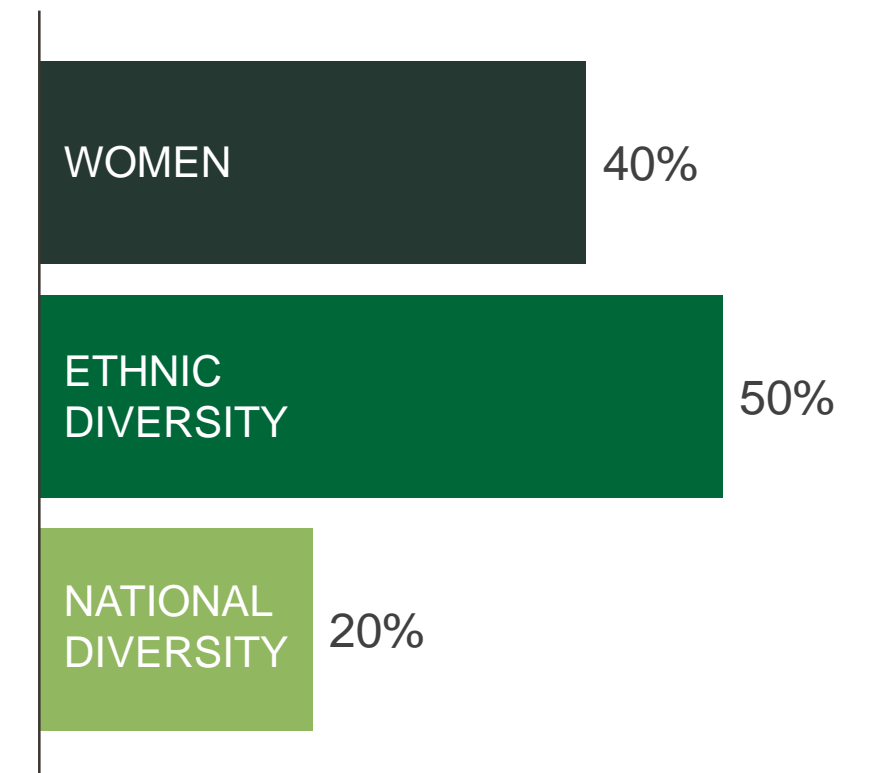
## Director Tenure: AVERAGE DIRECTOR TENURE = 8 YEARS



## Age distribution: AVERAGE AGE = 55



## Diversity:



\*Green denotes current Starbucks partner (employee).



# Board Matrix

Starbucks has best-in-class directors, with a variety of complementary skills necessary to guide and oversee the company's strategy.

	INDUSTRY EXPERIENCE	FINANCIAL/ CAPITAL ALLOCATION EXPERIENCE	GENDER, ETHNIC OR NATIONAL DIVERSITY	BRAND MARKETING EXPERIENCE	INTERNATIONAL OPERATIONS & DISTRIBUTION EXPERIENCE	DOMESTIC AND INTERNATIONAL SUSTAINABILITY & PUBLIC POLICY EXPERIENCE	TECHNOLOGY EXPERIENCE	HUMAN CAPITAL MANAGEMENT EXPERIENCE	PUBLIC COMPANY BOARD EXPERIENCE	SENIOR LEADERSHIP EXPERIENCE
Rosalind G. Brewer	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mary N. Dillon	✓	✓	✓	✓				✓	✓	✓
Mellody Hobson		✓	✓	✓		✓	✓		✓	✓
Kevin R. Johnson	✓	✓		✓	✓	✓	✓	✓	✓	✓
Jørgen Vig Knudstorp	✓	✓	✓	✓	✓		✓	✓		✓
Satya Nadella		✓	✓	✓	✓		✓	✓	✓	✓
Joshua Cooper Ramo						✓			✓	✓
Clara Shih			✓	✓			✓			✓
Javier G. Teruel	✓	✓	✓	✓	✓				✓	✓
Myron E. Ullman, III	✓	✓		✓	✓	✓		✓	✓	✓

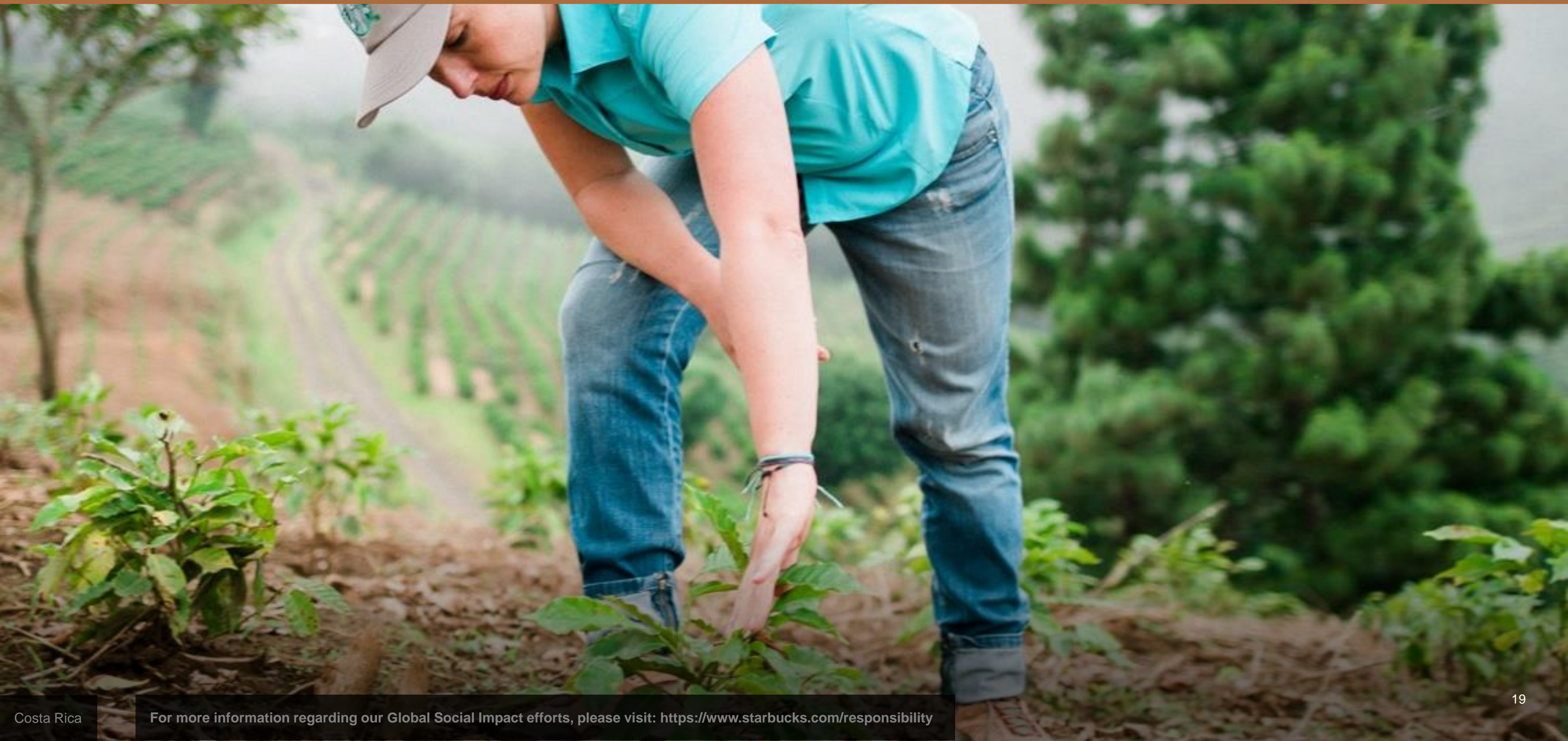
# Board Oversight of Company Strategy

Oversight is conducted through:

- At least one Board meeting each year dedicated to intensive review of strategy
- On-going Board and Committee level discussions
- In between Board meetings:
  - Periodic updates to the Board
  - Direct conversations between management and Chair and Vice Chair
- Extensive onboarding including leadership meetings, cultural immersion programs and store visits



# Global Social Impact



# Global Social Impact Highlights

## Promote Sustainable Coffee

### Coffee Sourcing Commitment

- Making coffee the world's first sustainably sourced agricultural product.

### Starbucks Global Farmer Fund

- Invest \$50 million in financing for farmers by 2020.

### Open-Source Agronomy

- Train 200,000 coffee farmers by 2020.

### Planting Trees

- Provide 100 million coffee trees to farmers by 2025.

## Create Opportunities

### Hire 25,000 Veterans and Military Spouses by 2025

- To date, we have hired over 21,000 veterans and military spouses.

### Employ 10,000 Refugees Globally by 2022

### Employ 100,000 Opportunity Youth by 2020

- To date, we have hired over 65,000 Opportunity Youth.

### Graduate 25,000 Partners by 2025 and Increase Accessibility and Performance

- More than 1,982 partners have graduated to date with over 11,000 partners participating in ASU's online degree programs.

## Strengthen Communities

### Rescue 100% of Food Available to Donate by 2020 in U.S. Company-operated Stores

- To date, we have launched over 24 markets and donated more than 10 million meals.

### Inclusion and Pay Equity

- In FY18, we achieved 100% pay equity for women and men and people of all races performing similar work in the United States.

### Diverse Supply Chain

- Since first reporting our purchases with diverse suppliers in 2000, we have spent a cumulative total of more than \$6 billion.

### Local and Community-Centric Economic Development

- We have invested in 12 community stores, over 50 military family stores, and this year opened our first signing store in the US.



continued...

# Global Social Impact Highlights (continued)

## Greener Retail

### MISSION

#### Sustainable Coffee Served Sustainably

We inspire stewardship, invest in green technology, and leverage our scale for good.

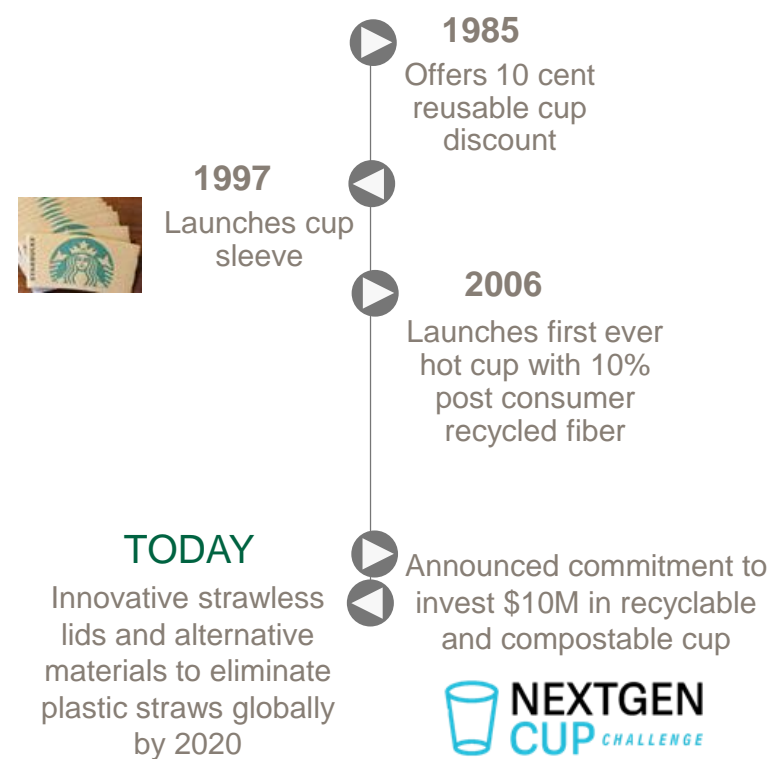
### RECENT PROGRAM HIGHLIGHTS:

- NextGen Cup Challenge – Announced commitment to invest \$10M in a recyclable and compostable cup with Closed Loop Partners
- Strawless Lids – Innovative strawless lids and alternative materials to eliminate plastic straws globally by 2020
- Greener Stores – Announced new Greener Stores Framework, a retail standard for designing and operating stores sustainably
- Greener Apron – Engaged over 8,000 Starbucks sustainability champions

## GREENER CUPS AND PACKAGING



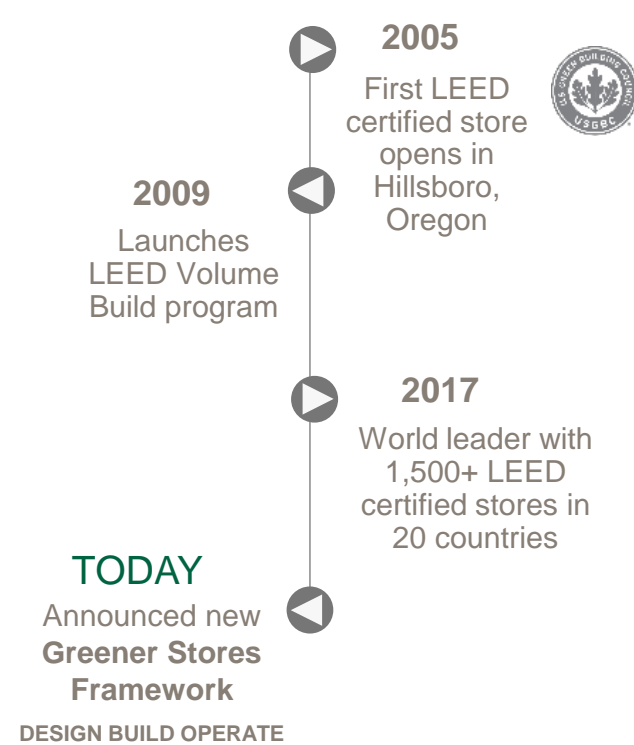
Double the recycled content, recyclability, and reusability of our cups and packaging by 2022



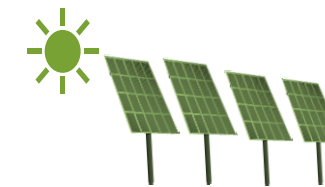
## GREENER STORES



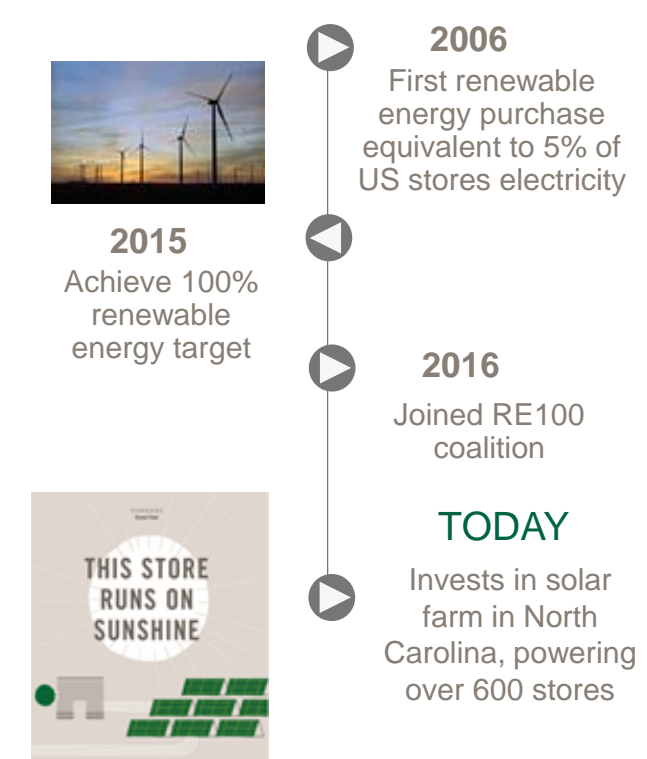
Build and operate 10,000 greener stores globally by 2025



## GREENER POWER



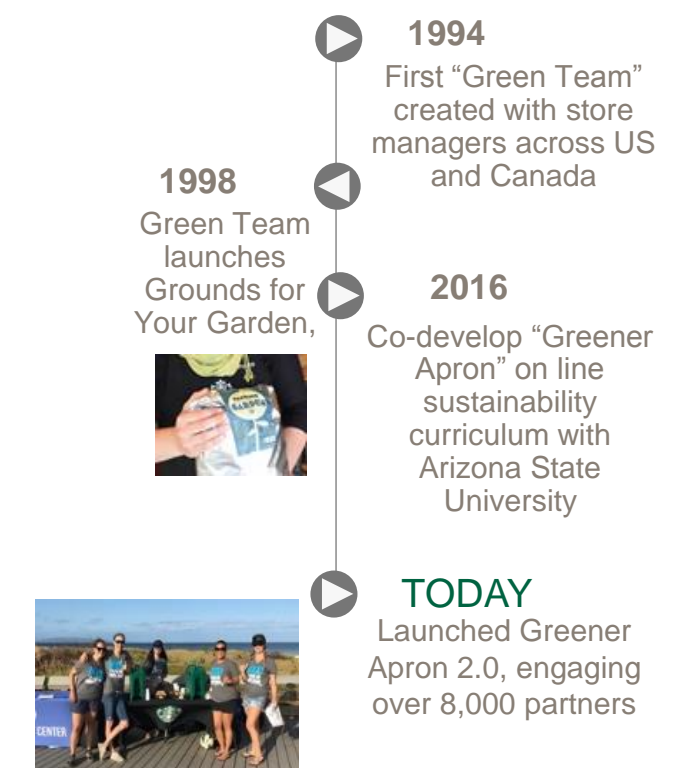
Invest in 100% renewable energy to power operations globally by 2020



## GREENER APRONS



Empower 10,000 Partners to be sustainability champions by 2020



# Board Recommendations



# Proxy Voting Recommendations

## Proposal

## Recommendation

### Management Proposals

Election of 10 directors

**For each director nominee**

Advisory resolution to approve  
our executive officer compensation

**For**

Ratification of selection of Deloitte & Touche LLP as our  
independent registered public accounting firm for fiscal 2019

**For**

### Shareholder Proposals

True Diversity Board Policy

**Against**

Report on Sustainable Packaging

**Against**





# Fiscal 2019 Non-GAAP Measures

In addition to the GAAP results provided in this presentation, the company provides certain non-GAAP financial measures that are not in accordance with, or alternatives for, generally accepted accounting principles in the United States. Our non-GAAP financial measure of non-GAAP EPS excludes the below-listed items and their related tax impacts, as they do not contribute to a meaningful evaluation of the company's future operating performance or comparisons to the company's past operating performance. The GAAP measure most directly comparable to non-GAAP EPS is diluted net earnings per share.

NON-GAAP EXCLUSION	RATIONALE
Restructuring, impairment and optimization costs	Management excludes restructuring charges and business process optimization costs related to strategic shifts in its Teavana, EMEA, U.S., e-commerce and other business units. Additionally, management excludes expenses related to divesting certain lower margin businesses and assets, such as closure of certain company-operated stores and Switzerland goodwill impairment. Management excludes these items for reasons discussed above. These expenses are anticipated to be completed within a finite period of time.
CAP transaction and Integration-related items	Management excludes transaction and integration costs and amortization of the acquired intangible assets for reasons discussed above. Additionally, the majority of these costs will be recognized over a finite period of time.
2018 U.S. stock award	Management excludes the incremental stock-based compensation award granted in the third quarter of fiscal 2018 for reasons discussed above.
Nestlé transaction-related costs	Management excludes the transaction-related costs associated with Nestlé for reasons discussed above.
Other tax matters	On December 22, 2017, the Tax Cuts and Jobs Act was signed into U.S. law. Management excludes the estimated transition tax on undistributed foreign earnings, the impacts of estimated incremental foreign withholding taxes on expected repatriated earnings and the re-measurement of deferred tax assets and liabilities due to the reduction of the U.S. federal corporate income tax rate for reasons discussed above.

# First Quarter of Fiscal 2019 Reconciliation of GAAP to Non-GAAP EPS

Non-GAAP net earnings per share may have limitations as an analytical tool. This measure should not be considered in isolation or as a substitute for analysis of the company's results as reported under GAAP. Other companies may calculate this non-GAAP financial measure differently than the company does, limiting the usefulness of this measure for comparative purposes.

Consolidated	Quarter Ended Dec 30, 2018
Diluted net earnings per share, as reported (GAAP)	\$0.61
Restructuring, impairment and optimization costs <sup>(1)</sup>	0.04
CAP transaction and integration-related items <sup>(2)</sup>	0.05
2018 U.S. stock award <sup>(3)</sup>	0.02
Nestlé transaction-related costs	—
Other tax matters <sup>(4)</sup>	0.06
Income tax effect on Non-GAAP adjustments <sup>(5)</sup>	(0.03)
Non-GAAP net earnings per share	\$0.75

<sup>(1)</sup> Represents costs associated with our restructuring efforts, primarily severance and asset impairments related to certain company-operated store closures, as well as business process optimization costs, largely consulting fees.

<sup>(2)</sup> Includes transaction costs for the acquisition of our East China joint venture and the divestiture of our Taiwan joint venture; ongoing amortization expense of acquired intangible assets associated with the acquisition of East China and Starbucks Japan; and the related post-acquisition integration costs, such as incremental information technology and compensation-related costs.

<sup>(3)</sup> Represents incremental stock-based compensation award for U.S. partners (employees).

<sup>(4)</sup> Represents the estimated impact of the U.S. Tax Cuts and Jobs Act, specifically the transition tax on undistributed foreign earnings, estimated incremental foreign withholding taxes on expected repatriated earnings and the re-measurement of deferred taxes.

<sup>(5)</sup> Adjustments were determined based on the nature of the underlying items and their relevant jurisdictional tax rates.

# Fiscal 2019 Projected Reconciliation of GAAP to Non-GAAP EPS

Non-GAAP net earnings per share may have limitations as an analytical tool. This measure should not be considered in isolation or as a substitute for analysis of the company's results as reported under GAAP. Other companies may calculate this non-GAAP financial measure differently than the company does, limiting the usefulness of this measure for comparative purposes.

Consolidated	Year Ended Sep 29, 2019 (Projected)
Diluted net earnings per share, as reported (GAAP)	\$2.32 - 2.37
Restructuring, impairment and optimization costs <sup>(1)</sup>	0.14
CAP transaction and integration-related items <sup>(2)</sup>	0.22
2018 U.S. stock award <sup>(3)</sup>	0.04
Nestlé transaction-related costs	—
Other tax matters <sup>(4)</sup>	0.06
Income tax effect on Non-GAAP adjustments <sup>(5)</sup>	(0.10)
Non-GAAP net earnings per share	\$2.68 - 2.73

<sup>(1)</sup> Represents restructuring, impairment and business optimization costs and inventory write-offs related to these efforts recorded within cost of sales including occupancy costs.

<sup>(2)</sup> Includes transaction costs for the acquisition of our East China joint venture and the divestiture of our Taiwan joint venture; ongoing amortization expense of acquired intangible assets associated with the acquisition of our East China joint venture and Starbucks Japan; and the related post-acquisition integration costs, such as incremental information technology and compensation-related costs.

<sup>(3)</sup> Represents incremental stock-based compensation award for U.S. partners (employees).

<sup>(4)</sup> Represents the estimated impact of the U.S. Tax Cuts and Jobs Act, including the transition tax on undistributed foreign earnings, estimated incremental foreign withholding taxes on expected repatriated earnings and the re-measurement of deferred taxes.

<sup>(5)</sup> Adjustments were determined based on the nature of the underlying items and their relevant jurisdictional tax rates.