

CORPORATE SOCIAL RESPONSIBILITY

Annual Report



Fiscal 2002

STARBUCKS MISSION STATEMENT AND GUIDING PRINCIPLES

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

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

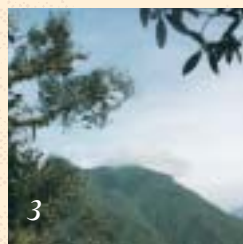
- *Provide a great work environment and treat each other with respect and dignity.*
- *Embrace diversity as an essential component in the way we do business.*
- *Apply the highest standards of excellence to the purchasing, roasting and fresh delivery of our coffee.*
- *Develop enthusiastically satisfied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

ABOUT THIS REPORT

The information in this report is for fiscal year 2002 (October 1, 2001 through September 29, 2002) and primarily covers Starbucks company-operated retail and distribution operations in North America and sourcing activities in coffee-origin countries. Information about Starbucks international company-operated and licensed retail store markets and other select operations—Tazo® Tea and Hear Music™—is also included. Currency is represented in U.S. dollars throughout the report.

Cover: Blossoms of an arabica coffee tree.

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FROM BEAN TO CUP

Starbucks Approach to Sustainability

Starbucks first store, located in the heart of Seattle's Pike Place Market, opened in 1971. As people discovered the great flavor of Starbucks high-quality, freshly roasted coffee beans, word quickly spread. Before long our coffee was legendary.

What happened since still seems remarkable. Starbucks original concept of selling premium whole bean coffee was refined in 1987 when Starbucks began serving handcrafted beverages and offering a coffee experience, which is now embraced by more than 20 million customers worldwide every week. While Starbucks growth may surprise some, we no longer ask ourselves how it happened. We have built our company by maintaining an unwavering commitment to Starbucks mission and guiding principles.

Successful companies take measures to sustain their position. At Starbucks, we have integrated sustainable business practices—which align with our mission and guiding principles—to help ensure our company continues to thrive. Starbucks sustainability efforts are visible throughout our supply chain, which we term “bean to cup.” This chain connects the people and places where our coffee is grown to the communities around the world where our more than 6,000 stores are located.

To sustain the prominence of Starbucks brand in the marketplace and build stakeholder trust, we must be accountable for our actions. As a measure of our accountability, last year we published Starbucks first Corporate Social Responsibility Annual Report to provide transparency on our business practices, measurements of our performance and benchmarks for future reporting. This year, we've taken additional steps to assure our stakeholders that the information in this report is accurate by engaging an independent third party to verify its contents.

Now we invite you to take the journey with us—from bean to cup—so you can determine for yourself how well Starbucks is operating our business in a manner worthy of your admiration and trust. We hope the actions reflected in this report help us do that.



Warm regards,

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

Howard Schultz
chairman and chief global strategist



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

Orin C. Smith
president and chief executive officer

THE BUSINESS CASE FOR CORPORATE SOCIAL RESPONSIBILITY

Starbucks defines corporate social responsibility (CSR) as conducting business in ways that produce social, environmental and economic benefits for the communities in which we operate. Achieving this requires a comprehensive set of policies, practices and programs that are integrated throughout our business operations.

According to Business for Social Responsibility, a nonprofit organization dedicated to advancing leadership in responsible business practices, more investors and consumers today are demanding that companies be accountable for the environmental and social impacts of their operations. There is a growing body of empirical studies demonstrating the positive impact CSR has on business economic performance and shareholder value.

We believe conducting our business responsibly delivers benefits both to Starbucks and to our stakeholders—partners (employees), customers, suppliers, shareholders, community members and others. We hope our actions also provide guidance and leadership to the coffee industry as a whole.

We view our CSR initiatives as long-term investments, with real benefits and rewards. Some of the investments Starbucks makes include:

- Promoting environmental conservation and increasing economic opportunities for the people who produce our coffees.
- Minimizing our environmental impact to help ensure resources for future generations.
- Creating a workplace that attracts qualified partners, increases retention, fosters professional growth and development, and rewards performance.
- Being a good neighbor and contributing to the quality of life in our local communities.



Starbucks purchases some of the finest arabica coffee beans grown in Latin America, Africa and Indonesia.

COMPANY PROFILE

Fiscal 2002—October 1, 2001 to September 29, 2002

(Information below represents total company unless noted)

- *Total net revenues: \$3.3 billion*
- *Net earnings: \$215.1 million*
- *Earnings per share: \$0.54*
- *Total income taxes: \$126.3 million*
- *Stock price (high/low): \$25.63/\$14.56*
- *Number of company-operated locations: 3,496 (North America), 384 (International)*
- *Number of licensed locations: 1,078 (North America), 928 (International)*
- *Number of partners (employees): 62,000*

The arabica coffee bean starts its journey as a cherry on a coffee tree.



The harvested beans are washed and spread out to dry under the sun.

COMMITMENT TO ORIGINS™

- *Coffee—The Importance of Sustainability*
- *Coffee Sourcing*
- *Investments in Coffee-Origin Countries*
- *Tazo Tea Company—Sustainable Initiatives*

We begin our bean-to-cup journey with coffee farmers, the first link in Starbucks supply chain. We've examined many issues that farmers face, including economic challenges and environmental concerns, which, if not addressed, could impact their long-term sustainability. As a result, Starbucks is taking important measures to help improve the lives of coffee farmers and to protect the environment. Our approach is rooted in Starbucks guiding principles and translates into our Commitment to Origins.™

COFFEE—THE IMPORTANCE OF SUSTAINABILITY

Grown in 70 tropical countries, coffee is the second most traded commodity in the world after petroleum, with a global value of nearly \$5.6 billion in 2000-2001*. By World Bank estimates, more than 25 million smallholder farmers make their living by producing coffee.

The coffee industry comprises two distinct markets—commodity and specialty:

- Commodity-grade coffee, which consists of *robusta* and commercial quality *arabica* beans, is traded in a highly competitive market as an undifferentiated product. During 2002, a global oversupply of more than two billion pounds (907,200,000 kilograms) of coffee drove New York "C" (the worldwide reference used by coffee traders for commodity-grade coffee) *arabica* commodity prices to historic lows of \$0.40-0.50 per pound (\$0.88-1.10 per kilogram).
- The specialty coffee market, which currently represents approximately 10%** of total worldwide unroasted (green) coffee purchases, consists primarily of high-quality *arabica* beans. Prices for specialty coffee are determined by the quality and flavor of the beans and are almost always higher than the prevailing price for commodity-grade coffee.

Starbucks purchases only high-quality *arabica* coffee, and our purchases represent about one percent of the world's beans. We know quality comes with a price, and as a result Starbucks pays prices that are substantially over and above the prevailing commodity-grade coffee price. Rather than use a New York "C"-based formula for negotiating prices, Starbucks prefers to negotiate the majority of our contracts based on outright prices, independent of the commodity market. In fiscal 2002, Starbucks paid an average price of \$1.20 per pound (\$2.64 per kilogram), excluding freight, for green coffee purchased at outright prices.

Coffee farming, like any other business, must be economically feasible to ensure long-term sustainability. Starbucks believes the prices we pay help farmers cover their production costs and better provide for their families. In turn, Starbucks gets assurance that the coffee farms we purchase from can meet our future supply needs. Although our overall purchasing impact may be relatively small, we've taken leadership steps to promote environmental and social stewardship in coffee-origin countries.

* International Trade Centre

** Specialty Coffee Association of America

COFFEE SOURCING

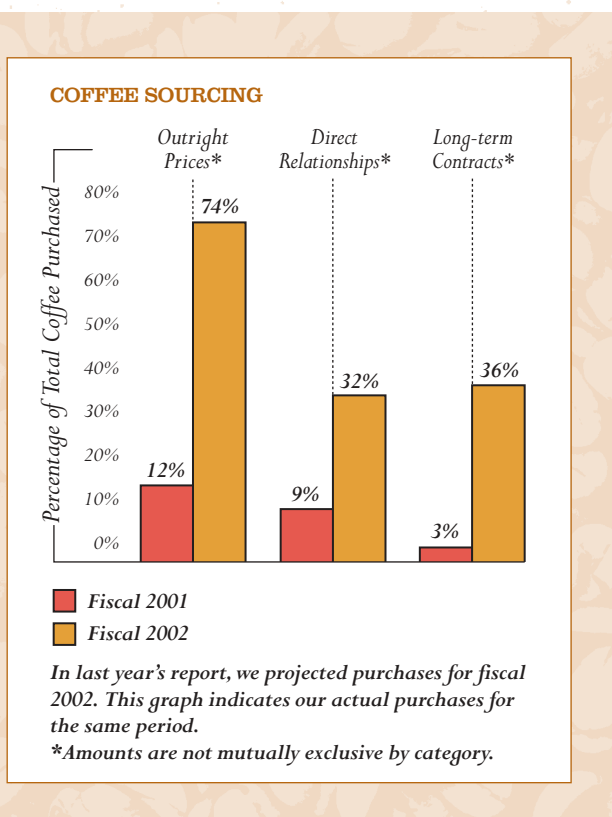
Starbucks recognizes that the continued growth and success of our business depends on a long-term supply of quality coffee. To help ensure this supply, our coffee sourcing strategies are intended to contribute to the sustainability of coffee growers and help conserve the environment. These strategies include:

- Implementing Starbucks Coffee Sourcing Guidelines.
- Purchasing coffee at outright, negotiated prices.
- Building direct relationships with farms and cooperatives.
- Negotiating and securing long-term contracts.
- Making affordable credit available to coffee farmers.
- Purchasing Fair Trade CertifiedSM coffees.
- Purchasing certified organic and conservation coffees.
- Investing in health and educational projects that directly benefit farmers and their communities.

Coffee Sourcing Guidelines

In fiscal 2002, Starbucks introduced a set of Coffee Sourcing Guidelines to support and encourage the sustainable production of high-quality coffee as a pilot program for the 2002 and 2003 crop years. The guidelines serve as criteria for our Preferred Supplier Program.

Developed with the support of Conservation International's Center for Environmental Leadership in Business, the guidelines reward farmers who meet important quality, environmental, social and economic criteria with financial incentives and preferred supplier status. Suppliers are required to submit an application to the program documenting their sustainability measures. Applications must be verified by an independent third party and are subject to audit. Starbucks has been recognized within the coffee industry and by non-governmental organizations (NGOs) and governments around the world for pioneering such a program.



By the end of fiscal 2002, Starbucks had received more than 50 applications to the program from coffee suppliers who are making sustainability a priority. These suppliers striving for preferred supplier status are making ongoing investments to enhance sustainability through practices such as conserving natural resources, adding clean water technologies, improving social conditions and reducing or eliminating the use of agro-chemicals.

In fiscal 2003, Starbucks plans to take the learning from the first year of the pilot phase and improve the Preferred Supplier Program through independent verification, monitoring performance and continuing to gather stakeholder feedback from growers, inspectors and external organizations.

Purchasing at Outright Prices

Purchasing coffee at negotiated, outright prices, independent of the prevailing price for commodity-grade coffee, helps provide stability and predictability for buyers and sellers. Starbucks purchased the majority of our green coffee—74% in fiscal 2002—at outright prices, compared to 12% in fiscal 2001. The increase is due to a deliberate shift in the way we purchase coffee.

Building Direct Relationships with Farmers

One of our priorities is to establish more direct relationships with farms and co-ops we know and trust. Purchasing directly from farms, with the assistance of a third-party facilitator, delivers more of the purchase price to the farmers. Through direct relationships, Starbucks gains a greater degree of transparency on how much farmers receive. Our long-term goal is to improve transparency for our non-direct purchases as well. In fiscal 2002, 32% of our total green coffee supply was purchased through direct relationships at negotiated prices, compared to 9% in fiscal 2001.

Signing Long-Term Contracts

Given the current economic climate, farmers prefer to know they have buyers for future harvests. By signing long-term contracts with farmers, Starbucks is able to purchase our future coffee supply at predictable prices over multiple crop years. We increased our purchases of coffee negotiated through long-term contracts, which average three to five years, from 3% of our total supply in fiscal 2001 to 36% in fiscal 2002.

Access to Credit

Smallholder coffee farmers frequently experience a shortage of cash long before the next harvest. Due to a chronic lack of working capital, they often sell their crops to local buyers who use the scarcity of credit and the region's geographical isolation to secure coffee from producers at low prices. To help break this cycle, Starbucks has instituted several initiatives to provide farmers access to affordable credit.

In fiscal 2002, Starbucks, through a loan guarantee, helped make \$500,000 available through Ecologic Enterprise Ventures (EEV), a nonprofit organization providing affordable crop financing to smallholder coffee farmers in Latin America, and Conservation International (CI). This was the second year that Starbucks assisted Mexican coffee farmers with pre- and post-harvest loans through a loan guarantee. According to CI, the results of this program in fiscal 2002 were:

- 205 farmers received pre-harvest financing, an increase of 25% over last year.
- 691 farmers received post-harvest financing, an increase of 96% over last year.
- 1.25 million pounds (566,990 kilograms) of coffee were financed, an increase of 57% over last year.

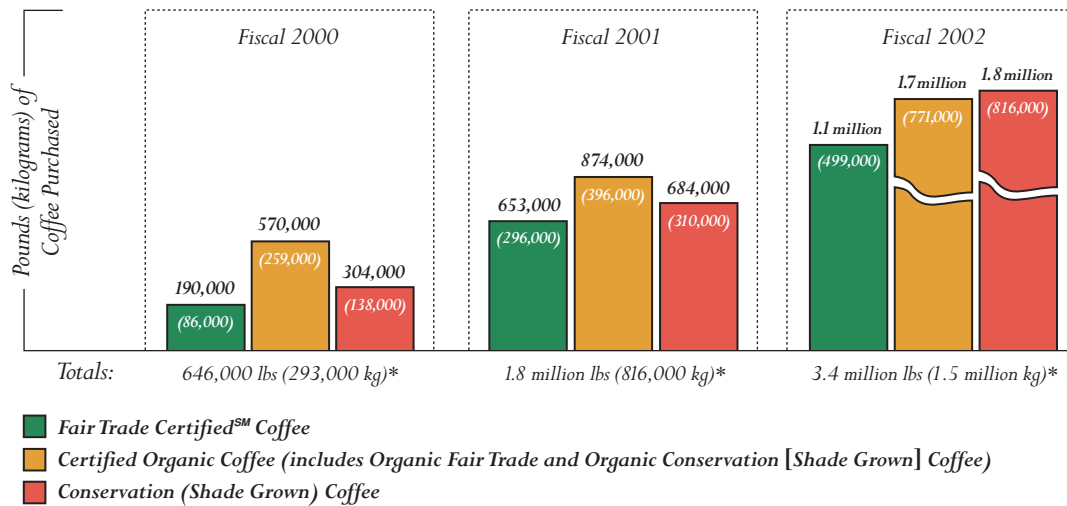
Fair Trade CertifiedSM Coffee

In the Fair Trade certification system, smallholder coffee farmers who are organized into democratically run organizations and registered with the Fairtrade Labelling Organizations International (FLO) can sell their beans directly to importers, roasters and retailers at favorable guaranteed prices. To purchase Fair Trade CertifiedSM coffee, a buyer must pay a minimum of \$1.26 per pound (\$2.77 per kilogram) for non-organic green *arabica* coffee and \$1.41 per pound (\$3.10 per kilogram) for organic green *arabica* coffee. According to TransFair USA, an independent nonprofit organization that licenses Starbucks to sell Fair Trade coffee imported into the U.S., the guaranteed prices help increase earnings for farmers, enabling them to afford basic health care, education and home improvements.

RECOGNITION OF OUR EFFORTS

- *In May 2002, Starbucks was honored with the first annual Humanitarian Award by the Coffee Quality Institute, a nonprofit education foundation and separate fund of the Specialty Coffee Association of America. The award recognizes our contributions to the quality of life for farmers and their families, leadership in protecting the quality of the environment in coffee agriculture, and our commitment to continued improvement of coffee quality in origin countries.*
- *Starbucks was named one of the 100 Best Corporate Citizens in the March/April 2002 issue of Business Ethics magazine. The ranking is based on quantitative measures of corporate service to seven stakeholder groups: shareholders, employees, customers, the community, the environment, overseas stakeholders, and women and minorities.*
- *Starbucks was included in the 2002-2003 Dow Jones Sustainability Index (DJSI), the second consecutive year the company has been on the list. This assessment of the 2,500 largest companies in the DJSI focuses on economic, environmental and social performance. Starbucks was one of 300 companies from 23 countries that led their industry in sustainability.*
- *In recognition of our collaboration with Conservation International (CI) to encourage sustainable coffee farming practices, Starbucks and CI were recipients of a 2002 World Summit Business Award for Sustainable Development Partnerships in Johannesburg, South Africa, in August 2002.*

FAIR TRADE, ORGANIC AND CONSERVATION (SHADE GROWN) COFFEE PURCHASES



*Coffees may be certified in more than one category.

Since forming an alliance with TransFair USA in April 2000, Starbucks has become one of North America's largest roasters and retailers of Fair Trade CertifiedSM coffee. In fiscal 2002, Starbucks purchased 1.1 million pounds (498,952 kilograms) of Fair Trade CertifiedSM coffee. Starbucks Fair Trade Blend is sold in all of our U.S. company-operated stores and in some international markets.

Starbucks sold a total of 530,000 pounds (240,404 kilograms) of Fair Trade CertifiedSM coffee through our retail stores and Business Alliances accounts in fiscal 2002. Business Alliances accounts include colleges and universities, hotels and other locations licensed to sell Starbucks coffee. In fiscal 2002, Starbucks sold Fair Trade CertifiedSM coffee through 332 of our Business Alliances accounts, which included 188 colleges and universities.

In fiscal 2002, Starbucks signed a Memorandum of Understanding with Fairtrade Labelling Organizations International, enabling us to offer Fair Trade CertifiedSM coffee in our international markets. At the end of fiscal 2002, Starbucks was licensed to sell Fair Trade CertifiedSM coffee in Austria, Canada, Germany, Japan, Switzerland, the U.K. and the U.S.

Working with Fair Trade Farmers

In July 2002, Starbucks, the Ford Foundation and Oxfam America announced a pilot project in collaboration with CEPSCO, a large Fair Trade coffee cooperative in Oaxaca, Mexico, with more than 16,000 farmers. The goals of the project are to increase the supply of high-quality Fair Trade CertifiedSM coffee and enable participating farmers to earn premium prices for their crops.

Starbucks and the Ford Foundation, a philanthropic organization that works to reduce poverty and promote international cooperation, each contributed \$125,000 for the first year of the pilot project. Oxfam America, an organization dedicated to creating solutions to hunger, poverty and social injustice around the world, will work directly with farmers of the CEPSCO cooperative on improvements to their post-harvest quality control techniques. By providing farmers with the tools to improve their skills, and thus the quality of their coffee, we hope to increase their opportunities for self-sufficiency and sustainability.

Organic Coffee

Organic coffee is grown without the use of synthetic pesticides, herbicides or chemical fertilizers. These growing practices help maintain a healthy environment and clean ground water. Once harvested, the coffee beans must be processed in organically certified mills and roasting facilities to be sold as certified organic.

Many of the coffees Starbucks buys are grown using organic methods but are not certified as such. Official certification requires farms to submit to three years of soil testing, and annual testing thereafter, to verify they are using accepted organic farming practices. Starbucks has offered certified organic coffee since 2000. In fiscal 2002, Starbucks purchased 1.7 million pounds (771,107 kilograms) of certified organic coffee and introduced Serena Organic Blend™, an exclusive certified organic coffee available in our company-operated stores in North America.

Conservation (Shade Grown) Coffee

Since 1998, Starbucks has partnered with Conservation International (CI), a nonprofit conservation organization, to promote sustainability in coffee-origin countries. Through CI's Conservation Coffee™ program, Starbucks is encouraging the production of coffee using traditional cultivation methods that protect biodiversity and provide improved economic opportunities for coffee farmers.

Starbucks Shade Grown Mexico coffee, purchased through CI's Conservation Coffee™ program, comes exclusively from farms surrounding the El Triunfo Biosphere Reserve in Chiapas, Mexico, one of the world's most important biodiversity hotspots.

In fiscal 2002, Starbucks invested \$200,000 to support this project as part of a three-year commitment to provide a minimum of \$600,000. The results of this program, according to CI, in fiscal 2002 include:

- Farmers supplying Shade Grown Mexico received an 87% price premium over local prices for their coffee.
- Exports of coffee from the Chiapas Conservation Coffee™ program increased 110% over fiscal 2001.
- More than 1,000 farmers participated in the program, up from 691 the year before.
- The milling yield for coffee (green coffee beans resulting from processing raw coffee) increased from 64% to 76%.
- More than 7,400 acres (2,995 hectares) of coffee fields in Chiapas are currently being managed using best practices for conservation coffee.

In fiscal 2002, Starbucks purchased 1.8 million pounds (816,466 kilograms) of conservation coffee to meet increased consumer demand and ensure year-round availability, and added Decaf Shade Grown Mexico to our lineup of conservation coffees.

Starbucks and CI have begun developing similar conservation projects in Colombia and Peru. Future plans are to expand the program in other areas where biodiversity is under severe threat, including Panama and Costa Rica.



SUPPORTING CONSERVATION AND COFFEE FARMERS

Located only a few kilometers from the core zone of the El Triunfo Biosphere Reserve in Chiapas, Mexico, Jose Julio Perez Lopez is a second-generation, smallholder coffee farmer cultivating some of the highest quality shade grown arabica coffee. His farm is nestled on a mountainside near the community of Nueva Colombia, where conservation coffee production has become vital to the health of the Reserve's ecosystem and to the economy of the local community.

Jose Julio produces organic coffee grown under a natural canopy of shade trees interspersed with fruit trees and other crops that help feed his family. As a member of the farmer cooperative CESMACH, Jose Julio has received technical assistance and training in organic coffee production and processing through CI's Conservation Coffee™ program. The investment by CI, Starbucks and his cooperative helps Jose Julio earn a premium for his high-quality coffee and encourages natural resource conservation.

INVESTMENTS IN COFFEE-ORIGIN COUNTRIES

As part of our ongoing commitment to the people and places where Starbucks coffee is grown, we've established partnerships with international nonprofit organizations that share our concerns. We also support community projects to improve the well-being of families in coffee-farming regions.

CARE

Our 11-year alliance with CARE, an international organization dedicated to fighting global poverty in more than 60 countries, has given us the opportunity to touch the lives of nearly three million people in coffee-origin countries. Over the years, Starbucks has contributed or helped raise more than \$2 million for CARE programs, making Starbucks one of CARE's largest North American corporate donors.

In fiscal 2002, Starbucks worked with CARE to establish the Starbucks Emergency Response Fund to enable us to respond to natural disasters and crises in countries where Starbucks sources coffee and tea. In 2002, Starbucks donated \$200,000 to this fund.



Starbucks helped fund several education and health-related projects at Finca Dos Marias, a coffee farm in Guatemala, including this school that provides day care through middle school classes for children living on the farm.

Social Development Projects

Over the years, some of the relationships Starbucks has built with farmers have produced far more than coffee. Starbucks and a number of farms have collaborated to improve local water systems, construct coffee mills and support many other projects that benefit farming families and their communities.

The projects are funded in two ways. First, Starbucks pays an additional premium on top of the purchase price for coffee from a specific farm. The added premiums go toward the project. In turn, the farm matches Starbucks contribution so they have a vested interest in the project. Many of these initiatives are ongoing to ensure that once the projects are developed, they are sustained.

In fiscal 2002, Starbucks contributed more than \$85,000 in premiums for these social development projects. While there are many examples we could provide, here are two that highlight our collaborative efforts:

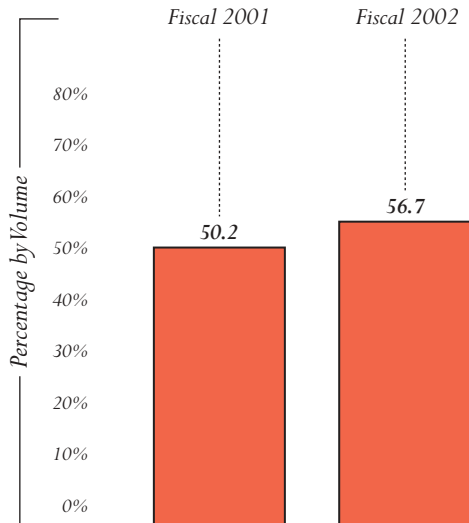
- In Nicaragua, we helped build lavatory facilities and improve water quality at the Modesto Armijo School, which is attended by 1,200 elementary schoolchildren from San Juan de Rio Coco.
- Starbucks and five Guatemalan coffee farms built and are maintaining health clinics, day care centers and schools that serve 5,000 people in local farming communities.

Coffee Kids™

In fiscal 2002, Starbucks also contributed \$25,000 to Coffee Kids™, a nonprofit organization dedicated to improving the quality of life for children and families who live in coffee-growing communities. These funds financed local micro-credit projects in Mexico and Nicaragua, serving more than 2,200 women and their families.

TAZO TEA COMPANY—SUSTAINABLE INITIATIVES

ORGANIC TEA INGREDIENTS PURCHASED



TEA SOURCING PRACTICES

Tazo Tea Company, a wholly owned subsidiary of Starbucks, is committed to supporting sustainable farming practices and purchasing certified organic tea whenever it is available in sufficient quantities that meet Tazo's rigorous quality standards.

In addition to tea, Tazo uses a wide variety of botanicals and spices in many of its products and is actively sourcing organic supplies of these materials. Tazo also contracts with companies that engage in community development projects.

In Starbucks fiscal 2001 Corporate Social Responsibility Annual Report, we reported the percentage of black and green organic tea purchased. Tea leaves are only one ingredient of the raw materials we purchase for Tazo® teas, so to better reflect Tazo's organic purchases, we changed the metric this year to include the total amount of organic raw materials purchased for Tazo® teas, including botanicals and spices. (See graph at left.)

Tazo Tea Company and Mercy Corps

In September 2002, Tazo and Mercy Corps, a relief agency that operates health and economic development programs in more than 30 countries, formed a partnership to support tea communities. The project will be based in the tea-growing region of Darjeeling, India, where Tazo purchases some of the world's finest teas. The project will focus on three key areas: improving the quality of and access to water; supporting regional social, environmental and economic programs; and developing young people's leadership skills and opportunities for their future. Starbucks, Tazo and its business partners will invest \$600,000 to fund this three-year program.



Sumitra Tamang plucks tea in the Paila Kheti section of Makaibari Tea Estates, a biodynamic garden in Darjeeling, India, where some of Tazo's teas are grown.

After green coffee arrives at Starbucks, it is roasted to bring out a full range of flavors.



While the world's finest beans are an essential ingredient, it also takes the skilled hands of a barista to create a Starbucks® beverage.

STORE AND CORPORATE OPERATIONS

- *Environmental Impacts of Our Operations*
- *Purchasing Policies and Practices*
- *Responding to Stakeholders*

In this section, our bean-to-cup journey highlights sustainable measures Starbucks has taken to minimize the environmental impact of our operations, select suppliers who share our values, and respond to stakeholder concerns. In many of these areas, we've established metrics to measure Starbucks performance and provide the feedback needed to make future improvements. We firmly believe the way we operate our business is not only fundamental to our success, but defines the type of company Starbucks strives to be.

ENVIRONMENTAL IMPACTS OF OUR OPERATIONS

Starbucks approach to improving our environmental performance is guided by our environmental mission statement, which we adopted in 1992. (See sidebar below.)

To bring this mission statement to life, Starbucks develops policies and procedures that are implemented throughout our stores, roasting plants and support centers. Starbucks examines the success of our current measures and seeks new opportunities for improvement.

Measuring and Managing Our Environmental Impacts

As with most things at Starbucks, the way we measure and manage our environmental operations begins with coffee. We examine the impacts of roasting, distribution, store design and operations, and engage our partners (employees), suppliers and customers in our efforts to improve our environmental performance.

Starbucks Environmental Footprint Team, a cross-functional group of partners representing the major areas of operations, identifies specific initiatives and assesses Starbucks annual environmental performance. Using The Natural Step's sustainability framework, the Footprint Team identified three environmental focus areas for the company to measure its environmental performance:

- Sourcing: coffee, tea and paper.
- Transportation: people and products.
- Store design and operations: energy, water, recycling and waste reduction.

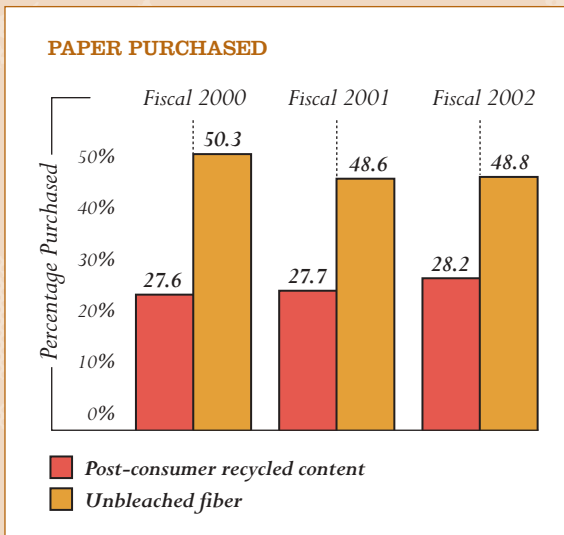
STARBUCKS ENVIRONMENTAL MISSION STATEMENT

Starbucks is committed to a role of environmental leadership in all facets of our business. We will fulfill this mission by a commitment to:

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

In Starbucks fiscal 2001 Corporate Social Responsibility Annual Report, we identified energy and water consumption as a fourth area of focus. We are now reporting the same information and metrics as part of store design and operations because the majority of these resources are used in our stores.

Along with our Environmental Footprint Team, our senior management reviews performance in each focus area, and in fiscal 2002 received training on The Natural Step's sustainability framework. This backing and support of Starbucks leadership is critical to implementing our measures throughout the organization.



Paper Sourcing

Purchasing paper with higher levels of post-consumer recycled content and unbleached fiber helps Starbucks minimize our environmental footprint. (See graph at left.) The company sees the opportunity for improvement in this area, so in fiscal 2002 provided specific training for those in our company responsible for purchasing paper supplies.

Transportation

The company has undertaken specific activities to reduce the impact of commuting at Starbucks Support Center (SSC) in Seattle where approximately 2,300 partners work. Starbucks Transportation Options Program (TOP) provides subsidies to partners for using public transit and alternatives such as biking and carpooling. In fiscal 2002, approximately 600 SSC partners, or 26%, participated in TOP, compared to 25% in fiscal 2001.

In April 2001, Starbucks contracted with Flexcar™ an innovative car-sharing network that provides vehicles, including a fuel-efficient Honda Civic gas/electric hybrid, for our SSC partners during the workday so they can leave their cars at home. In fiscal 2002, approximately 150 partners participated in the Flexcar™ program.

Store Design and Operations

The major environmental impacts of our store design and retail operations are energy and water consumption and solid waste generation. In fiscal 2002, Starbucks created a Green Store Task Force made up of partners to examine the environmental performance of our store design and operations. The Task Force performed a gap analysis of our current specifications system against the U.S. Green Building Council Leadership in Energy and Environmental Design (LEED) scoring system. This analysis identified water and energy consumption as areas most in need of improvement. We are researching options to improve our performance in these areas in fiscal 2003.

Also in fiscal 2002, Starbucks collaborated with the U.S. Green Building Council to establish a Retail Development Committee (RDC) and a scoring system that addresses the needs of the retail sector. Working with a broad cross-section of retail companies in North America, the committee created a new LEED Retail Application Guide that the U.S. Green Building Council expects to release as a pilot in 2003.

Energy and Water Conservation

One of the ways we measure the environmental performance of our store design and operations is by the amount of electricity, gas and water consumption per square foot (square meter) of retail space. Data was collected from a sample of our stores and is reported in the graph on page 15. We will use the findings of the Green Store Task Force to measure and improve our performance in these areas over time.

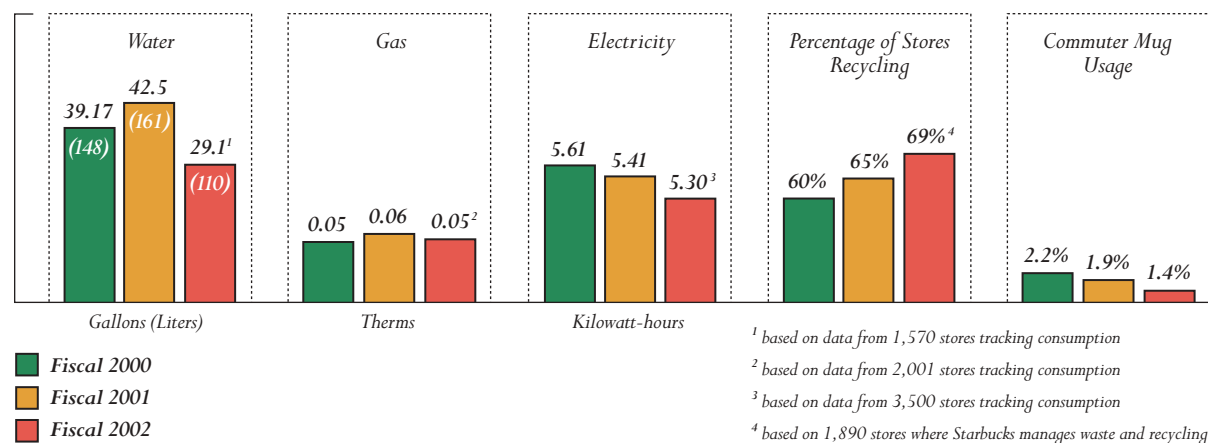
Recycling

Starbucks goal is to recycle in all of our company-operated stores. Our recycling metric measures the percentage of stores participating in programs where we can control solid waste services. In fiscal 2002, Starbucks managed the waste and recycling of 1,890 stores out of 3,496 company-operated stores in North America. The graph below indicates that 69% of these 1,890 stores had a recycling program in fiscal 2002.

In fiscal 2002, Starbucks launched two initiatives to improve our recycling rates.

- Working with the Aveda Corporation, we funded the Business for Social Responsibility Retail Recycling Benchmark report. This report documented the recycling practices of eight major retail companies, representing more than 10,000 store locations in the U.S. The information will be useful in identifying recycling opportunities and obstacles for all retailers, not just Starbucks. The report is available online at www.bsr.org/recyclingbenchmark.
- Our property management group conducted a waste characterization study to better understand the composition and scale of the recycling opportunities in our stores. We found five materials dominate Starbucks retail waste by volume: cardboard, milk jugs, paper cups, pastry boxes and milk cartons. Based on the findings, we are exploring ways to divert our waste through packaging reduction, reuse and recycling.

STORE DESIGN AND OPERATIONS



Water, gas and electricity consumption is measured per average square foot (square meter*) of retail space. Due to improved data gathering and normalization methods, we have restated the data that was presented in our fiscal 2001 Corporate Social Responsibility Annual Report to more accurately reflect consumption.

*1 square meter = 10.764 square feet. To convert square feet to square meters, multiply square feet by .0929.

Waste Reduction and Reuse

Coffee grounds make up the heaviest portion of the waste stream in our stores. Through our *Grounds for Your Garden* program, we encourage reuse of coffee grounds by packaging and giving them to customers, parks, schools and nurseries as a soil amendment. In fiscal 2002, we improved our communications efforts to better inform our customers and communities of this reuse opportunity.

Another way Starbucks reduces waste is by encouraging customers and partners (employees) to use reusable mugs when enjoying our beverages. We offer a \$0.10 beverage discount to customers who bring their own mugs to our stores. In fiscal 2002, customers used commuter mugs more than 12.7 million times, keeping an estimated 550,000 pounds (249,476 kilograms) of paper from landfills. While more customers used commuter mugs in fiscal 2002 than previous years, as a percentage of total beverages sold, we have seen a decline in usage. To try to reverse this trend, we are employing different strategies, which included a special promotion in April 2002 to increase customer awareness and promote commuter mug usage. We also instituted a new policy for all Starbucks partners stating that beverages should be consumed in reusable cups while at work, whether they work in a store, roasting plant or support center.

Involving Partners in Environmental Leadership

Since 1994, Starbucks has relied on our Green Team, a group of store managers across North America, to identify opportunities and champion initiatives that help improve our environmental performance. In fiscal 2002, Starbucks doubled the number of Green Team members to keep pace with our growth and better support Starbucks environmental commitment.

The Green Team focuses its efforts on waste reduction, recycling and energy and water conservation. The Green Team also promotes Earth Day activities including in-store promotions and volunteer opportunities to educate partners and customers about the impacts their actions have on the environment. Starbucks enhanced our 2002 Earth Day efforts by contributing \$20,000 to the Earth Day Network (www.earthday.net), a resource for people who want to participate locally and/or learn more about the impacts their decisions have on the environment.

Expanding Efforts in Our International Operations

By combining Starbucks environmental philosophy with intimate knowledge of their markets, some of our international partners create localized solutions to reduce the impacts of their operations. For example, in fiscal 2002, Starbucks Coffee Japan, Ltd., earned ISO 14001 certification, the leading international standard for environmental management systems. Starbucks Japan also formed a Green Team to engage partners in environmental stewardship. One initiative the Japan Green Team accomplished in its first year was the purchase from a local supplier of innovative, environmentally friendly napkins made from 70% post-consumer recycled milk-carton fiber and 30% bamboo fiber for use in Starbucks Japan stores.

PURCHASING POLICIES AND PRACTICES

Starbucks relies on a vast and diverse network of suppliers for everything from the fixtures in our stores to the cups for our coffee. We seek relationships with suppliers who share our values and operate their businesses accordingly.

Environmental Policies

Our suppliers are encouraged to provide the most energy-efficient products within their category and eliminate excessive packaging as outlined in Starbucks Supplier Handbook, which includes our Environmental Mission Statement and Environmental Purchasing Policy. Internally, Starbucks Environmental Purchasing Policy is used to guide the decisions of our purchasers.



ENVIRONMENTAL EFFORTS IN OUR ROASTING PLANTS

Starbucks roasting plants in York, Pennsylvania, and Kent, Washington, use state-of-the-art emissions control technology to control the flow of smoke and odors. Our roasting plants recycle, among other things, the burlap bags used to transport green coffee. In fiscal 2002, Starbucks recycled more than 1.35 million pounds (612,360 kilograms) of coffee bags for use in the agricultural, furniture and carpet pad manufacturing industries.

York Roasting Plant partners, pictured above, participated in the York County 2002 "March for Parks" event. More than 50 partners volunteered or attended the event, while other partners provided support through donations and fundraising. In all, the York Roasting Plant presented a check for \$10,000 to the York County Parks System for improvements on the Heritage Rail Trail. Partners at our Kent Roasting Plant are involved in Washington State's Adopt-a-Highway program. Every three months, partners and their families volunteer their Saturdays to pick up trash along a two-mile stretch of road.

Supplier Code of Conduct

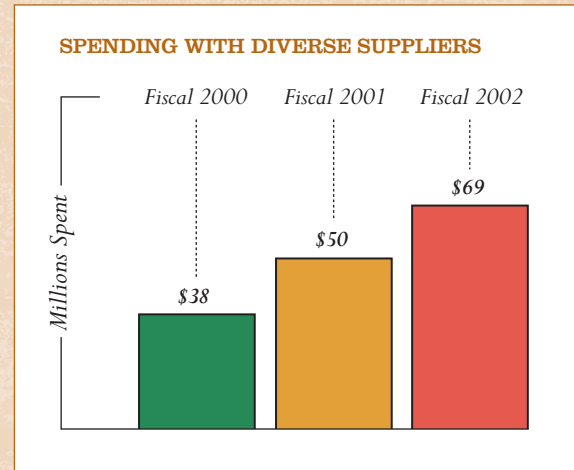
In fiscal 2002, Starbucks developed a Code of Conduct for our suppliers of non-coffee products. The Code of Conduct addresses standards for social responsibility, including labor and human rights, working conditions and health and safety. Targeted for company-wide implementation in fiscal 2003, the Code of Conduct will contain provisions for supplier selection, social compliance auditing, managing corrective action plans and monitoring by internal and/or independent organizations.

Supplier Diversity

Since 1996, Starbucks has actively engaged in efforts to build a broad, efficient supplier network of minority- and women-owned businesses. Purchases from these businesses increased to more than \$69 million in fiscal 2002, a 38% increase over the previous year.

Starbucks is actively involved in the Northwest Minority Business Council, with representation on its board. Our service and involvement with this organization led to our winning their 2001 Regional Corporation of the Year Award.

Starbucks Supplier Diversity Training Program was developed in collaboration with the Council and has become a model program in the Northwest for training purchasing decision-makers on the benefits of supplier diversity. All Starbucks buyers are required to attend this workshop.



RESPONDING TO STAKEHOLDERS

Genetically Modified Ingredients

In our fiscal 2001 Corporate Social Responsibility Annual Report, we provided information about genetically modified (GM) ingredients in the products Starbucks sells. Since that time, we have taken the following measures regarding GM materials:

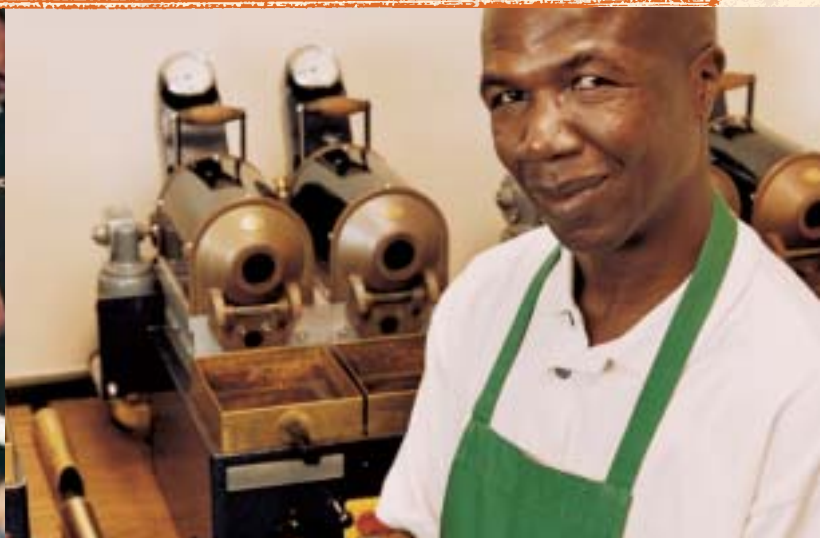
- Although there are no labeling requirements for genetically modified foods in the U.S., Starbucks has adopted the Food Standards Australia/New Zealand (formerly ANZFA) guidelines, currently the most stringent food labeling regulations in the world. These regulations require labeling for all genetically engineered materials, except for highly refined minor ingredients, such as cornstarch, that may be derived from genetically engineered material but contain no protein matter. If these regulations were in effect in the U.S., none of Starbucks beverage products would require labeling.
- We confirmed that our coffees and teas are not genetically modified. Furthermore, we do not support research that would lead to genetically engineered coffees and teas.
- We reviewed the non-coffee/tea beverages we serve. All were found to be free of genetically engineered material except for one beverage ingredient. We have since reformulated the ingredient to eliminate that material.

We will continue to monitor our products against the Food Standards Australia/New Zealand guidelines and track developments in this area.

rBST Milk and Organic Alternatives

Dairies in the U.S. are permitted to use rBST (recombinant bovine somatotropin) to increase milk production. U.S. labeling requirements, however, do not require milk producers to disclose their use of the hormone. Despite low consumer demand, Starbucks continues to offer certified organic milk, which is guaranteed to be rBST-free, as a dairy alternative in our U.S. company-operated stores. We also offer organic soy milk for consumers who prefer a soy alternative. In fiscal 2002, we began offering organic yogurt and single-serve organic flavored milk in most of our U.S. company-operated stores.

*At the opening of the Starbucks in Madrid, Spain,
María Paz Blanco García handcrafts a Caramel
Macchiato for a customer.*



*Omollo Gaya works as a taster in Starbucks Coffee Department,
which samples more than 150,000 cups of coffee each year.*

COMMITMENT TO PARTNERS

- Listening to Partners
- Embracing Diversity
- Starbucks Benefits Package
- Partner Development and Recognition

Our journey continues with a look at Starbucks workplace practices and the company's more than 60,000 partners (employees) who are involved in every aspect of operations, from bean to cup. With every customer contact, partners can create a satisfying experience and engender long-term loyalty. But first, Starbucks wants partners to feel appreciated, valued and respected—an important part of our guiding principles. Starbucks workplace culture is one that inspires passion and attracts talent, and is something we feel distinguishes Starbucks from other companies. The strength of our culture contributes significantly to our success, but much of the credit goes to Starbucks partners who are the company's most valuable asset.

LISTENING TO PARTNERS

Letting people know that their opinions are considered helps them feel respected and valued. Recognizing this, Starbucks has created opportunities for partners to share their concerns and feedback about our company through Partner View surveys, Mission Review and the Standards of Business Conduct Helpline. Listening to our partners is a defining element of Starbucks workplace culture and a reflection of our guiding principles.

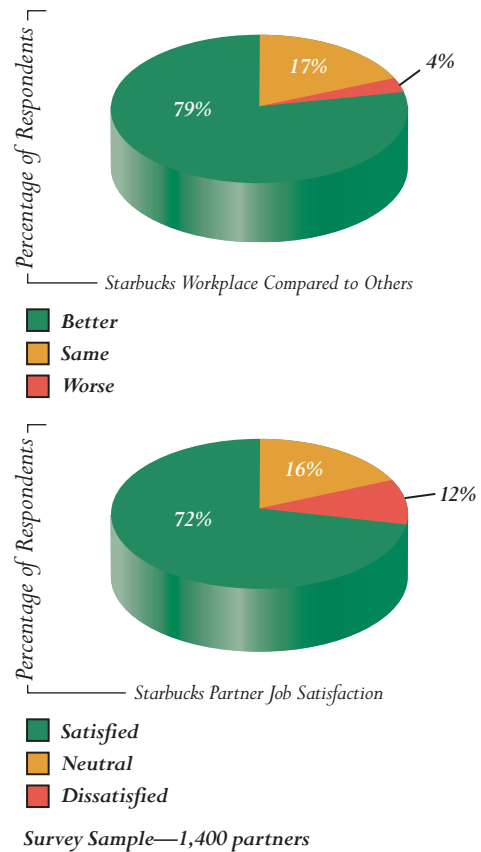
Partner View Satisfaction Surveys

In previous years, Starbucks conducted surveys of our retail partners to gauge satisfaction at the store level. In fiscal 2002, we conducted a Partner View survey at Starbucks Support Center, our global headquarters in Seattle, to gather feedback and measure job satisfaction. Overall, partners told us that Starbucks has created a company with strong values and is a great place to work.

Partners rated Starbucks favorably as a workplace compared to other companies. Ratings for overall satisfaction were also high. But when we discovered that partners rated the benefits package only average, we made changes to our Future Roast 401(k) plan. Starbucks increased our match of partner contributions for those who have been with the company for more than three years, and the match is now immediately vested.

In fiscal 2003, we plan to conduct Partner View surveys with retail, field and international partners.

2002 PARTNER VIEW SURVEY RESULTS





MAKING AN IMPACT IN PARTNERS' LIVES

Marina Thea Keenan is a Starbucks Partner Resources coordinator working in Chicago. Originally from Belgrade, Yugoslavia, Marina had dreamed of becoming a U.S. citizen since emigrating in 1993.

Marina's first job in her adopted country was as a Starbucks barista. Over time, she was promoted to store manager and then regional coordinator before moving into her current position with the company. Early on in her Starbucks career, she enrolled in S.I.P. (Stock Investment Plan) and held on to her Bean Stock grants. In 2002, Marina cashed in some of those options to fund the application for her citizenship, which was granted later that year.

"Starbucks has had a great impact on my life, so much so that I decided to make the U.S. my permanent home," Marina says. She used her stock options and S.I.P. shares to help pay for her wedding, honeymoon and the down payment on a new home.

Mission Review

Through Mission Review, Starbucks partners voice their opinions or question how Starbucks business practices align with our guiding principles. Every submission to Mission Review is researched and receives a response. All Mission Review correspondence is shared with executives and managers to make them aware of partner satisfaction, concerns and suggestions.

Standards of Business Conduct Helpline

Partners use the Standards of Business Conduct Helpline to provide feedback and raise questions or concerns they have about our business conduct, or to report any matter they are not comfortable raising through other channels of communication. The Helpline, which is part of our Corporate Compliance Program, is available 24 hours a day for partners to speak candidly (and anonymously, if they wish) with non-company personnel. A confidential report is forwarded to the company for investigation and resolution. Information reported through the Helpline is treated in a confidential manner, and no one can be retaliated against for raising issues through the Helpline.

EMBRACING DIVERSITY

At the core of Starbucks culture is an appreciation for the individual differences each partner brings to the workplace. Embracing diversity is an essential component in the way we do business and it's one of our guiding principles. We firmly believe that diversity strengthens our work environment and our position in the marketplace.

To foster diversity, Starbucks offers a series of eight Diversity Learning workshops to partners. Each interactive module encourages participants to learn, honor and support the cultural differences and uniqueness of their fellow partners and customers. Our goal is to attract and retain a workforce that reflects our communities and to develop policies and practices that fully utilize our partners' potential.

Starbucks tries to be responsive to our partners' special needs in the workplace. One example of this was the retrofitting of point-of-purchase registers in some of Starbucks stores to provide captioning for deaf or hard-of-hearing partners.

"As the world becomes more and more complex, having a diverse work team helps us be more adaptive as a company. This is especially critical as we expand internationally. Diversity helps us make better decisions. It is definitely part of our value system, and it's good for business."

*—Orin C. Smith
Starbucks president and ceo*

To ensure a diverse candidate pool, Starbucks recruits from nationally recognized associations and events dedicated to women, people with disabilities and minorities, such as the National Black MBA and National Hispanic MBA conferences.

Based on the available data we have from Starbucks partners who have voluntarily disclosed their race and gender, as of June 1, 2002:

- Women and/or minorities comprise more than 62% of our total workforce.
- More than 34% of Starbucks officers (vice president level or higher) are women and/or minorities.

STARBUCKS BENEFITS PACKAGE

From the beginning, Starbucks chairman and chief global strategist Howard Schultz wanted Starbucks to be the kind of company that, above all, valued our partners and offered them good health benefits and a great place to work. His vision inspired many things at Starbucks, including a benefits package that is one of the most competitive in our industry. It's called Total Pay because it combines compensation, benefits and stock.

What makes Starbucks benefits package notable is that it is offered to both full- and part-time partners who work at least 240 hours per calendar quarter and meet other eligibility requirements. Benefits include medical, dental and vision coverage, including coverage for alternative health services. This coverage is extended to Starbucks partners' dependents and their domestic partners as well. Some of Starbucks other benefits are described below.

Bean Stock

Starbucks believes partners should share in the company's success. *Bean Stock*, our stock option plan, has been rewarding eligible U.S. partners for their contributions since 1991. Since that time, Starbucks expanded the *Bean Stock* program outside of the U.S., making it available to our Canadian and U.K. partners. In fiscal 2002, Hong Kong partners became eligible for the program.

S.I.P. (Stock Investment Plan)

Another way Starbucks partners benefit from our success is through S.I.P. This plan enables eligible Starbucks partners to buy shares of Starbucks common stock each quarter at a discounted price through regular payroll deductions. Starbucks offers a similar plan to partners in the U.K.—Starbucks Share Save Plan.

Future Roast 401(k)

Starbucks Future Roast 401(k) provides partners an opportunity to save for their future through payroll deductions. In fiscal 2002, we improved Future Roast based on feedback from partners. Starbucks increased our match of partner contributions for those who have been with the company for more than three years. As a partner's length of service increases, so does the company's match—from 25% to 150% of the first 4% of pay contributed by the partner. Furthermore, Starbucks matching contributions are no longer subject to vesting. In fiscal 2003, the company plans to review the match for Canadian partners participating in our RRSP plan, the Canadian equivalent of 401(k).



THE REWARDS OF STARBUCKS BENEFITS PROGRAM

"I enrolled in the 401(k) plan as soon as I became eligible," says Beth Wood of our Carnation, Washington, store. "I've worked at Starbucks for seven years as a part-time barista and the 401(k) plan just feels like free money."

Based on the number of years Beth has worked for Starbucks, she receives a 75-cent match for every dollar she contributes to her 401(k) account, up to 4% of her pay.

"It's fantastic," she says about working at Starbucks. "I can work part-time, close to home, get paid well, have healthcare benefits, stock options, and I have more time to spend with my family."

CUP (Caring Unites Partners) Fund

The spirit of helping others can be seen every day at Starbucks through the CUP Fund, a program dedicated to supporting fellow partners in need. Funded by partners through voluntary payroll deductions and fundraisers, the CUP Fund provides financial relief to partners facing emergency situations such as fire, theft, flood and illness. During fiscal 2002, nearly 15,000 partners contributed to the CUP Fund, and 185 grants totaling more than \$145,000 were made to North American partners.



PARTNER GOES ON EARTHWATCH EXPEDITION

In 2002, Starbucks launched a program with the Earthwatch Institute to enable our partners to work alongside environmental research scientists while receiving their regular wages. In June 2002, Julia Mackay of British Columbia participated in a two-week Earthwatch expedition to the Gulf of California.

There, she assisted a research crew in their efforts to learn about critical environmental issues affecting sea turtles. Julia worked with the project scientists to monitor, tag and document the movements of the turtles in this area.

In Julia's words, "Not only were these two weeks educational, learning about an endangered species, but they also provided a greater perspective of a different region of the world and its people."

PARTNER DEVELOPMENT AND RECOGNITION

Partner Development

Partners need tools and learning programs to become vital contributors to our success. Starbucks offers innovative training programs designed to maximize our partners' talents and skills and give them the background needed to fulfill Starbucks mission. Here are a few examples:

- In fiscal 2002, Starbucks rolled out an updated training program that teaches our retail partners—from the novice barista to the veteran district manager—how to make our beverages and provide legendary customer service. It also introduces new partners to the culture and values of Starbucks. Every barista receives 24 hours of training in his or her first 80 hours of employment.
- Corporate partners get immersed in the store experience so they know what it's like to be behind the espresso bar. Shortly after they are hired, they don the green apron and spend a day to several weeks working in a retail store.
- International partners responsible for opening a new market spend three months in Seattle learning about coffee, Starbucks culture and values, and the way we do business. Upon returning to their countries, they share their training with local partners.
- Starbucks encourages continuing education for our partners. All Starbucks support centers, both in the U.S. and internationally, offer partners opportunities for ongoing personal and professional development programs.

Partner Recognition

Starbucks believes our partners are special people doing remarkable things. In appreciation for all that our partners contribute, we've developed more than 30 recognition programs, including:

- Moves of Uncommon Greatness (M.U.G.) Award—recognizing partners who go out of their way to help get work done.
- *BRAVO!* Award—to recognize achievements in customer or community service.
- Spirit of Starbucks Award—recognizing a single, exceptional achievement by a partner or team.
- Manager of the Quarter and Manager of the Year Awards—recognizing store managers who have made significant contributions in Starbucks retail operations.
- Leader of the Quarter and Leader of the Year Awards—recognizing non-retail supervisors, managers, project or team leaders who demonstrate outstanding leadership.
- The President's Award—our highest honor goes to partners who exceed expectations in making a profound impact on partners, customers and the financial success of the company.



A GREAT PLACE TO WORK

In recognition of the workplace Starbucks has created, FORTUNE magazine named the company as one of the 100 Best Companies to Work For in 2002. In making this prestigious annual list for the fourth time, Starbucks was specifically noted for the health benefits we provide to full- and part-time partners, and for our support of aid workers in New York, Washington, D.C., and Pennsylvania following the September 11, 2001, attacks.

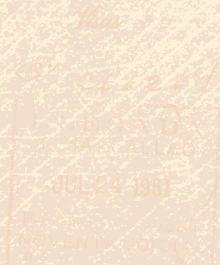
Proud San Francisco Bay Area partners, pictured above, delivered Starbucks "100 Best Companies to Work For" application in a giant coffee mug.

33	78	29	70	21	62	13	5	11
6	38	79	30	71	22	77	17	69
75	7	20	80	18	70	65	6	68

Around the globe, Starbucks coffeehouses provide a third place beyond home and work for customers to relax and reflect.



Throughout the year, Starbucks partners participate in community activities outside their stores, including volunteering for local, non-profit organizations, Earth Day activities and, here, painting a map of the U.S. at a schoolyard during September Make Your Mark.



COMMITMENT TO COMMUNITIES

- Community Support
- Other Starbucks Community Initiatives
- International Initiatives
- The Starbucks Foundation

Throughout this report we've shared examples to illustrate Starbucks comprehensive bean-to-cup approach to social responsibility—from our involvement with coffee-growing communities to our commitment to our partners (employees). In this final chapter of our bean-to-cup journey, we come to where our partners and customers meet—in neighborhood Starbucks coffeehouses around the world. Starbucks believes our partners can make a positive impact in their communities, especially when they are encouraged, inspired and supported to do so. Starbucks fifth guiding principle—to contribute positively to our communities and our environment—is fulfilled jointly with our partners to support their local neighborhoods, schools and charitable organizations. While a Starbucks store can enrich local community life by serving as a place to gather and enjoy a cup of coffee, it's really people who make a neighborhood.

COMMUNITY SUPPORT

At the broadest level, Starbucks views support for local communities as an investment. The dividends are shared by everyone in the community, including Starbucks partners and customers. The more people invest their time and resources, the greater the rewards.

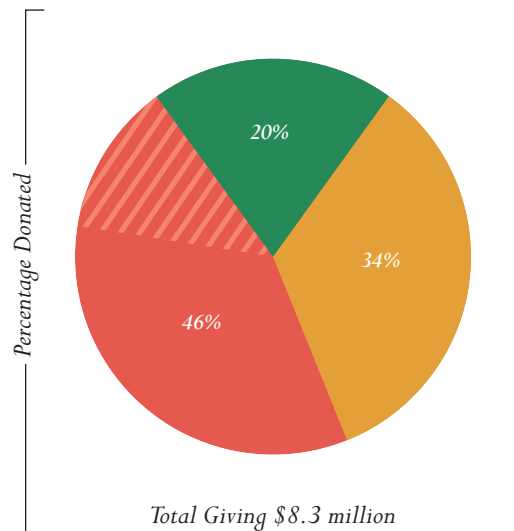
Starbucks encourages our partners to be involved and make a difference in their local communities. Whether partners work at Starbucks for a relatively short time or for years, we hope that our emphasis on community participation leaves a lasting imprint.

This section describes the ways in which Starbucks and our partners invest in the communities where we do business. Starbucks may be a global company, but our sense of community is locally based.

Total Community Contributions in Fiscal 2002

In fiscal 2002, Starbucks gave \$3.8 million in corporate cash contributions to nonprofit organizations and provided an additional \$1.7 million to The Starbucks Foundation. Product donations and in-kind support totaled \$2.8 million.

STARBUCKS COMMUNITY SUPPORT IN 2002



- Corporate giving*
- Starbucks Cares (\$1 million)
- Starbucks contribution to The Starbucks Foundation
- Product and In-kind donations

* Includes matching contributions through Make Your Mark and Choose to Give!

Make Your Mark

Starbucks created the Make Your Mark program to encourage and support our partners' volunteerism. The program is flexible enough to include partners' families and friends, as well as Starbucks customers.

Partners are encouraged to gather a team of at least two other partner volunteers—and perhaps invite a few non-partners too—to make their mark at a nonprofit organization that's important to them. After completing their volunteer project, partners submit a report to Starbucks so the company can make a charitable contribution to the nonprofit where the project was done. It's essentially a matched gift—\$10 donated for every volunteer hour team members put in—up to \$1,000.

Make Your Mark was enhanced last year by adding an individual component, recognizing that many partners volunteer by themselves. In fiscal 2002, Starbucks promoted a couple of company-wide Make Your Mark initiatives that inspired partners to perform thousands of volunteer hours for Earth Day and during September 2002, in honor of those impacted by the tragic events of September 11, 2001.



SEPTEMBER MAKE YOUR MARK

- **Will Stikkel Silver Jacket Memorial Walk:** After Will Stikkel, a Starbucks barista in Cheektowaga, New York, passed away from thalassemia, a rare genetic blood disorder, partners organized a 5K walk in his honor. Seventy-six of Will's fellow partners, customers, family members and friends participated and helped raise money for Cooley's Anemia Foundation to support research and patient services for those with thalassemia. (See photo above.)
- **California Coastal Cleanup:** More than 270 partners and customers combed beaches from San Francisco to San Diego as part of the California Coastal Cleanup, organized by the California Coastal Commission. They cleaned up local beaches and collected garbage and recyclable waste.
- **Franklin Park and the Franklin Park Zoo:** Franklin Park (Boston's largest green space, with more than 600 acres) and the Franklin Park Zoo were in need of some help after municipal budget cuts. More than 700 partners, customers and other supporters cleared debris from playgrounds, moved rocks inside the giraffe exhibit, painted the interior of the zoo hospital, and mulched the bamboo grove.

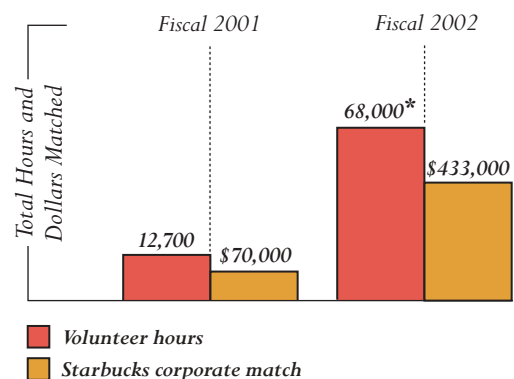
Earth Day

When Starbucks promotes volunteering on Earth Day, there's typically a large turnout. For example, more than 800 partners, customers and their friends joined the California Parks Foundation to clean up 17 sites throughout the state of California on Earth Day 2002. Projects ranged from beach and river bed clean-ups to construction of a butterfly habitat. These were some of many Earth Day projects that took place in communities where Starbucks is located.

September Make Your Mark

As the one-year anniversary of September 11th approached, Starbucks encouraged partners and customers to volunteer in their local communities. Our goal was to generate 25,000 volunteer hours during the month of September. At the end of September, volunteer hours totaled more than 40,000 for nearly 200 projects. In support of these efforts, Starbucks contributed \$250,000 to nonprofit organizations across North America.

TOTAL SUM OF MAKE YOUR MARK



*Includes 40,000 hours for September Make Your Mark.

Choose to Give!

Partners are encouraged to support nonprofit organizations that are important to them. Whether they do, or what organizations they decide to support, is their personal choice. Starbucks has developed our workplace-giving program to respect the personal nature of an individual's philanthropy. During fiscal 2002, Starbucks modified our workplace-giving program—Choose to Give!—adding more flexibility and making it year-long rather than a discrete campaign.

Choose to Give! matches each partner's charitable contributions, of \$20 or greater, up to \$1,000 annually. Moreover, Starbucks absorbs transaction fees and the cost of administering the program, ensuring that 100% of the donations go directly to designated charities.

In 2001, more than 500 partners gave \$395,000 to charities—donations that were matched by Starbucks with \$170,000. In the early part of 2002, the program was suspended as enhancements were made, and reintroduced in March 2002. From March to September 2002, more than 600 partners made \$325,000 in charitable gifts. Starbucks match for these gifts totaled \$132,000. Partner contributions under the new program suggest that the changes made to Choose to Give! are being well received by partners and will result in increased charitable giving.

OTHER STARBUCKS COMMUNITY INITIATIVES

Our partners inspire most of Starbucks support for local communities because we value what they care about, and they know the needs of their community. That's why we place so much emphasis on Make Your Mark and Choose to Give!

Beyond supporting our partners' efforts, Starbucks invests in other locally based initiatives to help strengthen community life. Here are several examples:

Starbucks Cares

In the aftermath of the September 11th terrorist attacks, Starbucks partners and customers expressed their desire to help those affected by this tragedy. This led to the creation of Starbucks Cares, a special campaign to raise money for victims and their families. Starbucks provided \$1 million in seed money and an additional \$1.6 million was contributed by our North American and international partners (employees), customers and business partners worldwide. The contributions were distributed to The September 11th Fund, established by the New York Community Trust and United Way of New York, to meet the long-term needs of victims, families and communities. Starbucks also contributed coffee and essential products to support the rescue and relief efforts in New York, Washington, D.C., and Pennsylvania in the weeks and months following the attacks.

Starbucks Memorial Fund—Washington, D.C.

Starbucks has an ongoing commitment to honor the three young Starbucks partners who, in 1997, tragically lost their lives in our Georgetown store in Washington, D.C. During 2002, Starbucks provided \$75,000 through the Starbucks Memorial Fund to help nonprofit organizations in the Capital Region prevent and advocate against violence, and assist victims of violence.

Urban Coffee Opportunities

Urban Coffee Opportunities, LLC (UCO), is a joint venture partnership formed in 1998 by Starbucks Coffee Company and Earvin "Magic" Johnson's company, Johnson Development Corporation. UCO is committed to enhancing the development of Starbucks retail stores in ethnically diverse neighborhoods. UCO embraces community by providing local jobs and strives to serve as a business stimulus to prompt economic growth. At the end of fiscal 2002, there were 35 UCO stores operating in ten states in the U.S.



HEAR MUSIC™ SUPPORTS GROUNDWORK

In fiscal 2002, Starbucks music division, Hear Music™ featured a compilation CD of songs donated by recording artists to benefit Groundwork. Groundwork is a project that builds awareness about solutions to fighting hunger, and raises funds for the United Nations Food and Agriculture Organization (FAO), an organization working to alleviate hunger worldwide. Starbucks was the exclusive retailer of the CD, sales of which raised money for FAO.

Calvert Community Investments

Starbucks launched a three-year partnership with Calvert Community Investments in fiscal 2001 with a \$150,000 investment that is being used to finance affordable housing and nonprofit/small-business facilities in low-income communities across North America. In fiscal 2002, our investments through Calvert helped support The Low Income Housing Fund in San Francisco, The Corporation for Open Land in Illinois, and ACCION New York, Inc.

Holiday Angels

During the holiday season each year, Starbucks organizes the Holiday Angels toy drive in our company-operated North America stores and support centers. In fiscal 2002, customers and partners responded generously with more than 132,000 toys donated for seriously ill children and their families. The toys were distributed by the Starlight Children's Foundation® to approximately 1,000 local hospitals in North America.

Product Donations and In-Kind Support

One of the most tangible ways Starbucks provides support is by donating our products to local non-profit organizations for their fundraising events. The recipients are often determined by retail store partners, and in fiscal 2002 product donations were valued at \$500,000.

Starbucks also encourages our stores to make in-kind donations of unsold baked goods and perishable whole bean coffee to local charities. On a larger scale, Starbucks donates overstocks of perishable and non-perishable goods to local and national organizations that, in turn, provide these products to community groups. The total value of in-kind donations in fiscal 2002 is estimated at \$2.3 million (based on Starbucks fiscal 2001 actuals).

INTERNATIONAL INITIATIVES

Starbucks growth around the globe has depended on selecting business partners who share our mission and values. As we continue to expand internationally, we understand the importance of connecting in meaningful ways with local organizations.

From country to country, the breadth of our community and environmental involvement varies, depending on the length of time Starbucks has been established there.

In many countries, Starbucks international business partners have recognized the importance of ongoing, comprehensive community support by combining two or more of the following components: financial contributions, product donations, partner volunteerism and in-store visibility. Here are some examples:

- Australia—Children's Hospital at Westmead and Planet Ark
- Hong Kong—Hope, serving needy seniors
- Japan—Kobe-Seattle SEAFAIR Ambassadors student exchange program
- New Zealand—Women's Refuge and Youthline
- Singapore—Singapore Association for the Deaf
- U.K.—National Literacy Trust

Starbucks international business partners have recently launched community programs in the following areas:

Financial Contributions

- Austria—Stiftund Kindertraum, an organization that fulfills wishes of sick and disabled children
- Lebanon—Red Cross and ANTA AKHI, providing educational activities for handicapped children
- South Korea—Seoul National University Children's Hospital

Product Donations

- Bahrain—Institute for Autism and Related Communication Disorders
- Indonesia—In-store fund raising for children in Posyandu, the Indonesian national health program

Partner Volunteerism

- Saudi Arabia—Highway clean-up
- Switzerland—Pigna, a home for the disabled
- Qatar—Providing in-store art activities for kids, and product donations

Starbucks business partners in these international markets are in the process of creating community programs to support the following:

- Thailand—Supporting hill tribe farmers of Thai *arabica* coffee
- Spain—Supporting Save the Children with in-store visibility
- Greece—Supporting Athens Municipality and Foundation of the SOS Children Villages



Representatives from President Coffee Corporation, Starbucks business partner in Taiwan, and World Vision Taiwan invited customers to donate to the 2002 campaign to help build an educational center for aboriginal children in the remote village of the Punun tribe in Taiwan. Starbucks Taiwan's four-year partnership with World Vision Taiwan has raised more than \$110,000. Pictured from left to right are: Chun-Huang Huang, general manager of President Integrate Health World; Lien Hwa Chow, chairman of the board, World Vision Taiwan; John Hsu, president of President Coffee Corporation; and Paul Chung, operation support team director, President Coffee Corporation.



THE STARBUCKS FOUNDATION

Starbucks chairman and chief global strategist Howard Schultz had a vision when he established The Starbucks Foundation in 1997. He believed that one of the most important factors determining success in our society is the ability to read. The Starbucks Foundation is dedicated to funding literacy programs across North America.

While funding is critical to improving literacy, volunteers are also needed. So The Starbucks Foundation includes in its funding criteria an important link to partner volunteerism. As a result, special priority is given to the literacy organizations where Starbucks partners are engaged as volunteers. The combination of funds and volunteerism is intended to fulfill The Starbucks Foundation's mission of creating hope, discovery and opportunity in communities where Starbucks partners live and work.

The Starbucks Foundation is a registered 501(c)(3) private foundation and a separate entity from Starbucks Coffee Company. In fiscal 2002, The Starbucks Foundation gave \$1.7 million to local programs and national literacy organizations, including Jumpstart and America SCORES. Since 1997, The Starbucks Foundation has made more than 625 grants in excess of \$6 million.



WRITERS IN THE SCHOOLS

Through its literacy grants, The Starbucks Foundation supports organizations where Starbucks partners are actively involved. As an example, The Foundation has made grants to Writers in the Schools programs in Seattle through Seattle Arts and Lectures and in Houston, totaling \$79,000 and \$51,000, respectively. Writers in the Schools places professional writers in the classroom to work with teachers through year-long residencies. Starbucks Houston store manager Carla Everett (above center) participates in a reading activity with Guadalupe Martinez, a student at Davila Elementary School, and Miah Arnold, senior writer for Writers in the Schools.

Examples of organizations The Foundation and Starbucks partners supported in fiscal 2002 include:

- Jane Addams Center/Hull House, Chicago, Illinois
- Oregon Children's Foundation, Portland, Oregon
- Harlem Children's Zone, New York, New York
- Richard Hugo House, Seattle, Washington
- The Lower Eastside Girls Club of New York, New York
- PUENTE Learning Center, Los Angeles, California
- Centre for Family Literacy, Edmonton, Alberta, Canada
- Hands On Miami, Miami, Florida
- Looking Glass Theatre, Providence, Rhode Island
- Community Word Project, New York, New York
- Cleveland READS, Cleveland, Ohio
- Volunteer Memphis, Memphis, Tennessee
- Fort Worth Public Library, Fort Worth, Texas
- Boys and Girls Club of Henderson, Henderson, Nevada
- Minneapolis American Indian Center, Minneapolis, Minnesota

For a list of the most recent grants, please visit Starbucks.com.

Literacy Grants

The Starbucks Foundation makes grants to local, nonprofit literacy organizations that serve low-income, at-risk youth. Literacy grants help fund innovative programs, particularly those in traditionally underserved communities, that utilize significant volunteer resources and demonstrate an established relationship with a Starbucks store or partners. Grants range from \$5,000 to \$20,000.

National Partnerships

The Starbucks Foundation also provides funding to Jumpstart and America SCORES, two national organizations that serve various communities through local chapters. In both cases, the relationship began because of the local involvement of Starbucks partners and has grown from there.

Jumpstart

Jumpstart is a national organization with locations in 30 communities across the U.S., ten of which were opened in fiscal 2002 with support from The Starbucks Foundation. The program provides one-on-one attention to preschool children from low-income communities. Jumpstart Corps members are college students from 50 different universities. They work to build children's early language and literacy, social, and initiative skills; help families support their children's learning; and receive training from their Jumpstart experience to become future teachers and leaders in early childhood education.

The Starbucks Foundation's four-year, \$1 million pledge is helping Jumpstart meet its goal of working toward the day every child enters school prepared to succeed. Starbucks partners have demonstrated their support by volunteering with Jumpstart Corps members on local activities, including Jumpstart-for-a-Day, a community festival for parents and children.

America SCORES

The Starbucks Foundation formed a three-year partnership with America SCORES in fiscal 2002, committing \$225,000 to strengthen the organization's capacity for expansion across the country. America SCORES uses soccer and creative writing to inspire teamwork among at-risk children in urban public schools. Once on the soccer team, children meet with a literacy coach who empowers them through poetry to be better writers and community leaders.

Founded in 1994 in Washington, D.C., by a public school teacher and part-time Starbucks barista, America SCORES provides thousands of children a safe, structured after-school environment. With the support of The Starbucks Foundation and the commitment of local Starbucks partners, America SCORES has now expanded to Boston, Chicago, Denver, Los Angeles, New York, San Francisco and Seattle.



A grant from The Starbucks Foundation helped fund an after-school program at Skyway Tutoring in Seattle. Melody Grieves, a partner in Starbucks Design Group, helps Pharez Keyes research online sources for a geography assignment, while Ronita Prasad (foreground) uses software geared to specific subjects and learning levels.

"Starbucks always gets a round of applause at our year-end parties," says Melody. "I'm proud that we support programs like this. It really does make a difference."

INDEPENDENT VERIFICATION LETTER

To the Stakeholders of Starbucks Coffee Company:

Moss Adams LLP, a certified public accounting firm, was engaged by Starbucks Coffee Company (Starbucks) to verify the contents of Starbucks Corporate Social Responsibility Annual Report (Report) for the fiscal year ended September 29, 2002.

Starbucks management and personnel prepared the Report's content and compiled the underlying data. The responsibility of Moss Adams LLP was to review the Report and obtain reasonable assurance about whether Starbucks corporate social responsibility policies as stated therein have been implemented; and that statements, assertions and the data reported is supported by documentation, internal processes or information provided by third parties.

Currently, there are no statutory requirements or generally accepted verification standards in the United States of America or internationally that relate to the preparation, presentation and verification of corporate environmental and social responsibility reports. Therefore, Moss Adams LLP developed an approach to verify the contents. Our approach included conducting interviews with Starbucks executives and managers; performing on-site reviews to determine how the corporate social responsibility policies have been implemented and reported upon; selecting internally prepared documents for review; and confirming with external parties certain statements, assertions and data disclosed in the Report. We planned and carried out our work to obtain reasonable, rather than absolute, assurance on the reliability of the information stated in the Report. We believe our methodology provides a reasonable basis for our conclusion.

Based on the procedures performed, Moss Adams LLP verifies the following:

- The corporate social responsibility policies and activities of Starbucks as described in the Report are fairly presented and are consistent with the actual policies implemented and acted upon by Starbucks management and personnel during the fiscal year ended September 29, 2002.
- Statements, assertions and data disclosed in the Report are supported by documentation, internal processes and activities, and information provided by external parties.

Moss Adams LLP

Moss Adams LLP
Seattle, Washington
February 6, 2003



To obtain a copy of this report:

This report is available online at www.starbucks.com/csr. To request a printed copy of the report, call 1-800-STARBUC (1-800-782-7282) or fax your request to 1-800-782-7286.

For questions about this report:

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Email: info@starbucks.com

Please provide your feedback:

Complete our online survey at www.starbucks.com/csrsurvey

Helpful Resources

For more information about organizations referenced in this report, please visit their websites:

America Scores:	www.americascores.org
Business for Social Responsibility:	www.bsr.org
CARE:	www.care.org
Conservation International:	www.conservation.org
Earth Day Network:	www.earthday.net
Earthwatch:	www.earthwatch.org
Fairtrade Labelling Organizations International:	www.fairtrade.net
Food Standards Australia/New Zealand:	www.foodstandards.gov.au
International Trade Centre:	www.intracen.org
Jumpstart:	www.jstart.org
Mercy Corps:	www.mercycorps.org
The Natural Step:	www.naturalstep.org
Oxfam America:	www.oxfamamerica.org
Specialty Coffee Association of America:	www.scaa.org
Transfair USA:	www.transfairusa.org
U.S. Green Building Council:	www.usgbc.org

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

