Triodos Investment Management

STARBUCKS CORPORATION

MEETING DATE	Wed, 22 Mar 2017 10:00 am	TYPE	AGM	ISSUE DATE	Wed, 08 Mar 2017
MEETING LOCATION	Marion Oliver McCaw Hall, 321 Mercer Street, Seattle, Washington				
CURRENT INDICES	S&P500				
SECTOR	Eating and drinking places				

	PROPOSALS	ADVICE
1a	**Re-elect Howard Schultz** Executive Chairman. It is a generally accepted norm of good practice that the Chairman of the Board should act with a proper degree of independence from the Company's management team when exercising his or her oversight of the functioning of the Board. Holding an executive position is incompatible with this. Triodos does not support this resolution.	**Oppose**
1b	**Re-elect William W. Bradley** Non-Executive Director. Not considered independent owing to a tenure of over twelve years. There is sufficient independent representation on the Board.	**For**
1c	**Elect Rosalind Brewer** Independent Non-Executive Director.	**For**
1d	**Re-elect Mary N. Dillon** Independent Non-Executive Director.	**For**
1e	**Re-elect Robert M. Gates** Independent Non-Executive Director.	**For**
1f	**Re-elect Mellody Hobson** Non-Executive Director. Not considered independent owing to a tenure of twelve years. There is sufficient independent representation on the Board. The Audit committee is not fully independent which Triodos does not support.	**Oppose**
1g	**Re-elect Kevin R. Johnson** Chief Executive Officer	**For**
1h	**Elect Jorgen Vig Knudstorp** Independent Non-Executive Director.	**For**
1i	**Elect Satya Nadella** Independent Non-Executive Director.	**For**
1j	**Re-elect Joshua Cooper Ramo** Independent Non-Executive Director.	**For**
1k	**Re-elect Clara Shih** Independent Non-Executive Director.	**For**
1l	**Re-elect Javier G. Teruel** Non-Executive Director.	**For**
1m	**Re-elect Myron E. Ullman, III** Lead Director. Not considered independent owing to a tenure of fourteen years. There is sufficient independent representation on the Board. He chairs the Remuneration committee which is not fully independent which Triodos does not support.	**Oppose**
1n	**Re-elect Craig E. Weatherup** Non-Executive Director. Not considered independent owing to a tenure of eighteen years. There is sufficient independent representation on the Board.	**For**

2 Advisory Vote on Executive Compensation **Oppose**

The Company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. The voting outcome for this resolution reflects the balance of opinion on the adequacy of disclosure, the balance of performance and reward and the terms of executive employment. The Company has achieved: an average level of disclosure; a below average balance for rewards; and average approach to contracts with executives.

Overall disclosure surrounding the annual bonus is considered transparent with the annual bonus being based on adjusted net revenue (50%) and adjusted operating income targets (50%), and subject to downward adjustment based on return on invested capital (ROIC). However, the targets were set to a non-GAAP standards, which allows the Company discretion in adjusting the figure. The Company granted long-term incentives in the form of performance Restricted- STock Units (RSUs) (60%) and stock options (40%). Performance RSUs are based on the achievement of Earnings Per Share (EPS) and ROIC goals. The Company has disclosed the financial targets for its short-term and long-term incentives.

Rewarded executive compensation is above peer group averages. In addition, awarded pay for the CEO is not aligned with companies of a similar market capitalization. For fiscal 2016, annual cash awards to the CEO were excessive with the actual payout being 212% of base salary and his target being set at 250% of base salary. A maximum limit on the annual bonus of 200% of base salary is considered best practice. For the equity awards, there are concerns that to the extent the performance targets are met, earned RSUs vest 50% on each of the second and third anniversaries of the grant date, which is not considered sufficiently long-term. A five-year vesting period is considered best practice. In addition, whilst the amount of reward derived from stock options is determined by share price growth, the awards of options have no performance conditions attached. Thus, an increase in share price over the lifespan of an option (and falls are unusual) can reward executives even in circumstances of poor relative performance.

The Company has a compensation claw back policy in place and provides for 'double trigger' accelerated vesting of equity in a change of control. However, a provision of 'good reason' is the material reduction in incentive target awards, which is not considered appropriate.The compensation rating is: CDC.

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3 Approve the Frequency of Future Advisory Votes on Executive Compensation **1**

The Company is providing shareholders with an advisory vote on whether the advisory vote on executive compensation should be held every one, two or three years. The Board is required by Section 951 of The Dodd-Frank Wall Street Reform and Consumer Protection Act to offer this vote on the frequency of a say-on-pay proposal not less than every six years, although they have the option to offer this proposal more often.

The Board of Directors recommends an annual vote. It is considered an annual vote on executive compensation to be best practice for companies. Executive compensation comprises of both fixed and variable pay elements, with the variable including share based incentive awards and cash bonuses over which the compensation committee have discretion. Decisions affecting the quantum and design of variable pay are made annually by the committee and it is therefore appropriate that shareholder approval is sought at the maximum frequency permitted by the new legislation. Contentious compensation payments and issues could occur in the intervening years between votes, if the frequency is less than annually. Triodos recommends a one year frequency.

4 Appoint the Auditors **Oppose**

Deloitte & Touche LLP proposed. Non-audit fees represented 5.51% of audit fees during the year under review and 6.70% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditors. However, the current auditor has been in place for more than ten years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor. Triodos opposes this resolution.

5 Shareholder Resolution: Proxy Access **For**

Proposed by: James McRitchie. The Proponent requests the Board to amend its Proxy Access for Director Nominations bylaw, as follows: i.) the number of Proxy Access Nominees' eligible to appear in proxy materials shall be 25% of the directors then serving or 2, whichever is greater ii.) no limitation shall be placed on the number of stockholders that can aggregate their shares to achieve the 3% 'Required Shares' for an Eligible Shareholder and iii.) no limitation shall be imposed on the re-nomination of Proxy Access Nominees based on the number or percentage of votes received in any election.

Proponent's Supporting Argument: The Proponent argues that the proposed change under the current thirteen member board would ensure shareholders a meaningful proportion of representation with three directors, instead of two. Also, the Proponent argues that allowing an unlimited number of shareholders to aggregate shares will facilitate greater participation by individuals and institutional investors in meeting the Required Shares.

Board's Opposing Argument: The Board recommends shareholders oppose and believes that raising the potential level of representation to 25% of the board could have an adverse impact on shareholder value, including laying the groundwork for effecting a change of control, encouraging the pursuit of special interests at the expense of a more encompassing and long-term strategic view, and otherwise disrupting the effective functioning of the board. The Board argues that the Company's current proxy access bylaw (adopted in 2016 following a shareholder proposal that gained a 57% vote in favour) allows groups of up to 20 shareholders to aggregate their holdings to meet the 3% ownership threshold and this has been widely adopted by companies that have adopted proxy access.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 2 - Advisory Vote on Executive Compensation

The Company has achieved: an average level of disclosure; a below average balance for rewards; and average approach to contracts with executives.

Disclosure: C- Overall disclosure surrounding the annual bonus is considered transparent with the annual bonus being based on adjusted net revenue (50%) and adjusted operating income targets (50%), and subject to downward adjustment based on return on invested capital (ROIC). However, the targets were set to a non-GAAP standards, which allows the Company discretion in adjusting the figure. The Company granted long-term incentives in the form of performance Restricted- STock Units (RSUs) (60%) and stock options (40%). Performance RSUs are based on the achievement of Earnings Per Share (EPS) and ROIC goals. The Company has disclosed the financial targets for its short-term and long-term incentives.

Balance: D- Rewarded executive compensation is above peer group averages. In addition, awarded pay for the CEO is not aligned with companies of a similar market capitalization. For fiscal 2016, annual cash awards to the CEO were excessive with the actual payout being 212% of base salary and his target being set at 250% of base salary. A maximum limit on the annual bonus of 200% of base salary is considered best practice. For the equity awards, there are concerns that to the extent the performance targets are met, earned RSUs vest 50% on each of the second and third anniversaries of the grant date, which is not considered sufficiently long-term. A five-year vesting period is considered best practice. In addition, whilst the amount of reward derived from stock options is determined by share price growth, the awards of options have no performance conditions attached. Thus, an increase in share price over the lifespan of an option (and falls are unusual) can reward executives even in circumstances of poor relative performance.

Contract: C- The Company has a compensation claw back policy in place and provides for 'double trigger' accelerated vesting of equity in a change of control. However, a provision of 'good reason' is the material reduction in incentive target awards, which is not considered appropriate.

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Researcher: Irene Tsopanoglou
Email: pircresearch@pirc.co.uk

Pensions & Investment Research Consultants Limited
8th Floor, Suite 8.02, Exchange Tower
2 Harbour Exchange Square
E14 9GE

Tel: 020 7247 2323
Fax: 020 7247 2457
http://www.pirc.co.uk

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