Triodos Investment Management

STARBUCKS CORPORATION

MEETING DATE	Wed, 21 Mar 2018 10:00 am	TYPE	AGM	ISSUE DATE	Tue, 06 Mar 2018
MEETING LOCATION	Marion Oliver McCaw Hall, the Seattle Center, 321 Mercer Street, in 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 opposes this resolution.	**Oppose**
1b	**Re-elect Rosalind Brewer** Executive Director. Chief Operating Officer of the Company and Group President, Americas since October 2017.	**For**
1c	**Re-elect Mary N. Dillon** Independent Non-Executive Director.	**For**
1d	**Re-elect Mellody Hobson** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board. She is chair of the Audit committee which is not fully independent which Triodos does not support.	**Oppose**
1e	**Re-elect Kevin R. Johnson** Chief Executive.	**For**
1f	**Re-elect Jorgen Vig Knudstorp** Independent Non-Executive Director.	**For**
1g	**Re-elect Satya Nadella** Independent Non-Executive Director.	**For**
1h	**Re-elect Joshua Cooper Ramo** Independent Non-Executive Director.	**For**
1i	**Re-elect Clara Shih** Independent Non-Executive Director.	**For**
1j	**Re-elect Javier G. Teruel** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1k	**Re-elect Myron E. Ullman, III** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board. He is chair of the Remuneration committee which is not fully independent which Triodos does not support.	**Oppose**
1l	**Re-elect Craig E. Weatherup** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**

2 Advisory Vote on Executive Compensation **Oppose**

The Company has put forward a resolution on executive compensation practices, which is considered best practice. The voting outcome for this resolution reflects the balance of opinion on the adequacy of disclosure, and the quantum of executive pay.

Individual Payouts for the annual bonus (EMBP) were not considered to be excessive, with the CEO's EMBP payout being approximately 40% of base salary and 22.5% of target. Furthermore, the payout was rewarded without achieving targets for Adjusted Operating Income. However, the payout for the long term incentive was in excess of 850% of base salary. The total rewarded compensation is 994% of base salary for the year under review which is excessive based on best practice guidelines. The significance of LTIPs in this compensation package for the CEO is very concerning as a component of this long term awarding is based upon measures such as share price appreciation, which at times may not be synonymous with improved executive performance due to the influence of exogenous factors that may have an effect on the share price of a company.

The compensation rating is: BDC.

Triodos opposes this resolution.

3 Appoint the Auditors **Oppose**

Deloitte proposed. Non-audit fees represented 7.58% of audit fees during the year under review and 7.07% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor. The current auditor has been in place for more than seven years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.

4 Shareholder Resolution: Proxy Access **For**

Proposed by: Mr. James McRitchie and Ms. Myra K. Young.

The proponents request the board of directors to amend its "Proxy Access for Director Nominations" bylaw, for the purpose of decreasing the average amount of Company common stock the average member of a nominating group would be required to hold for three years to satisfy the aggregate ownership requirements to form a nominating group as follows: No limit would be placed on the number of stockholders that can aggregate their shares to achieve the 3% "Required Shares" for an "Eligible Shareholder."

Proponent's Supporting Argument: The proponent argues that under current provisions, most stockholders and groups are effectively disenfranchised unless they partner with one or more of the Company's largest stockholders, even though most of those largest stockholders have never nominated corporate directors or have even filed a shareholder proposal. For example, under current provisions, even if the 20 largest public pension funds were able to aggregate their shares, they would not meet the 3% holding criteria at most of large public companies. Allowing an unlimited number of shareholders to aggregate shares would facilitate greater participation by individuals and institutional investors in meeting the stock ownership requirements, which are 3% of the outstanding common stock entitled to vote.

Board's Opposing Argument: The Company stresses that they have adopted a proxy access bylaw which they believe strikes the appropriate balance between providing shareholders with a useful proxy access process while balancing the interests of all of shareholders. Proxy access bylaw permits a shareholder, or a group of up to 20 shareholders, owning at least 3% of the Company's outstanding shares of common stock continuously for at least three years, to nominate and include in our annual meeting proxy materials director nominees constituting up to 20% of the board(but not less than two nominees). The Company also emphasises that a 20-shareholder aggregation limit has been adopted by the vast majority of companies that have implemented proxy access (over 88% as of July 2017) and is endorsed by several institutional shareholders, many of whom have adopted a similar standard for their own governance practices. The Company believes that permitting a group of unlimited size to use the proxy access bylaw provisions could be unworkable and could impose a significant cost and administrative burden on the Company to verify that the eligibility and procedural requirements have been satisfied (and continue to be satisfied through the annual meeting date) by each of the potentially very large number of shareholders in the aggregate pool.

Analysis: We agree with the proponents' argument that allowing an unlimited number of shareholders to aggregate shares would facilitate greater participation by individuals and institutional investors in meeting the stock ownership requirements, which are 3% of the outstanding common stock entitled to vote.
Triodos supports this resolution

5 Shareholder Resolution: Sustainable Packaging Report **For**

Proposed by: As You Sow, on behalf of the Michelle Swenson & Stan Drobac Revocable Trust

Shareholders request that Starbucks issue a report to shareholders, to be prepared at reasonable cost to fulfil its environmental leadership commitments by elevating efforts through comprehensive policy on sustainable packaging.

Proponent's Supporting Argument: The Proponent argues that a comprehensive policy on sustainable packaging for Starbucks consistent with its environmental leadership posture includes at a minimum: making cups recyclable, ensuring that cups collected are actually recycled, increasing recycled content, removing plastic straws, and identifying a feasible path toward a scaled commitment to its original goal for reusable cup usage. In 2008, The company pledged that 100% of cups would be reusable or recyclable, 25% of beverages would be served in reusable containers, and front of store recycling placed in owned and operated stores. After nine years, just 1.4% of all beverages are served in reusable cups The company has given low priority to implementing its 25% commitment and now proposes to increase usage to just 2.8% by 2022.

Board's Opposing Argument: The Company argues that they have consistently promoted and incentivised the use of reusable cups by proving discounts to customers using a reusable cup or tumblers and has made available ceramic mugs for in store consumption. Over the course of the last 10 years, the Company has taken extensive measures to demonstrate and report on its commitment to increasing the recyclability and reusability of its cups and other packaging. They reassure to remain committed, as shown by the comprehensive updated goals they laid out in the 2016 Report, to continuously scale up and report on their sustainability efforts.

Analysis: The Company has provided sufficient evidence to show that they have implemented the actions to be able maintain a sustainable environmental policy. However, their inability to meet their targets for reusable cups is concerning. The provision of a report is considered to be a reasonable request for additional disclosure; and will increase transparency surrounding the Company's strategy for aligning business operations with the reduction of plastic usage. It is considered that reporting on environmental issues is in shareholders' interests both as a means of informing shareholders of potential risks and opportunities faced by the Company; but also as a means of ensuring that management and the Board gives due consideration to these issues.
Triodos supports this resolution.

6 Shareholder Resolution: Report on Paid Family Leave **For**
Proposed by: Zevin Asset Management, LLC, on behalf of the Claire L Bateman 1991 Trust

The proponents request that the Board of Directors prepare a report on paid family leave in the United States. The report shall evaluate the risk of employment discrimination that may result from Starbucks's approach to paid family leave. The report shall be prepared at reasonable cost, omit proprietary information, omit information regarding legal compliance or litigation, and be made available on the Company's website no later than the 2019 annual meeting of shareholders.

Proponent's Supporting Argument: The proponent argues that while new mothers in Starbucks's corporate headquarters receive 18 weeks of fully paid leave, new mothers who work in retail stores receive only six weeks. Fathers and adoptive parents who work in Starbucks stores are left out entirely. Starbucks is also missing an opportunity to bolster its human capital. The proponents also add that companies that offer paid family leave to all employees report increased morale, as well as cost savings from job retention and that paid family leave promotes gender, racial, and socioeconomic equity, as well as workforce attachment and public health.

Board's Opposing Argument: The Company argues that part time and full time employees already qualify for comprehensive benefits. From working parents to students, or military spouses, with flexibility while ensuring they receive industry leading benefits. The Company also argues that their parental leave benefits exceed what most retailers provide full- or part-time workers. Unlike many retailers, there is no tenure requirement beyond initial benefits eligibility at 90 days. They provide up to 18-weeks of parental leave for our retail store partners, 6 weeks fully paid time off for birth mothers and adoptive parents, and another 12 weeks unpaid for all parents, including foster and adoptive parents.

Analysis: It is considered that the report requested by the proponent is reasonable and would underpin the Company's efforts in providing better benefits in the United States and thereby enhancing its reputation.
Triodos supports this resolution.

7 Shareholder Resolution: Annual Diversity Report **For**

Proposed by: Trillium Asset Management LLC, on behalf of the Paul LeFort Revocable Trust

The proponents request that Starbucks prepare an annual diversity report, at a reasonable cost and omitting confidential information, available to investors including: 1.) A chart identifying employees according to gender and race in major EEOC (Equal Employment Opportunity Commission) defined job categories, listing numbers or Percentages in each category 2.) A description of policies or programmes focused on increasing gender and racial diversity in the workplace.

Proponent's Supporting Argument: The proponent argues that a report adequate for investors to assess strategy and performance can include historical data, a review of appropriate time-bound benchmarks for judging current and future progress, and details of policies and practices designed to reduce unconscious bias in hiring, to build mentorship, training programs, work-life initiatives, and workforce stability.

Board's Opposing Argument: The Company argues that it has a long-standing commitment to diversity and recognises it as commericially imperative. The Board of Directors oversees the Company's diversity efforts and monitors the Company's progress. The Company highlights its workplace diversity policies and efforts on its website. The Board of Directors does not believe that preparing an additional report describing these policies or identifying employees according to standardized EEOC-defined job categories would enhance the Company's efforts to encourage diversity and create a diverse workforce.

Analysis: It is considered that the report will provide shareholders with additional information on the Company's effort in relation to diversity. The Company states that it already produces a lot of the information on its website, and the EEOC is required by law. Furthermore, the EEOC requirements may be considered to be very US-centric for a global company such as Starbucks and a one-size fits all approach is not effective. The Company has adequate diversity inclusion policy and actions in place. However, the information on the website is also very US-oriented for a global company such as Starbucks. A description of policies and programmes on diversity is welcomed.
Triodos supports this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 2 - Advisory Vote on Executive Compensation

Disclosure: B

Overall disclosure surrounding the annual bonus is considered to be transparent. The Company has disclosed the financial targets for its short-term and long-term incentives which is also very welcome. In fiscal 2017, annual cash incentives were based on adjusted operating income and adjusted net revenue. The Company awarded long term incentives in the form of i.) Performance Restricted Stock Units (PRSUs) (60%) dependent on two-year EPS and Return on Invested Capital (ROIC) goals and ii.) stock options (40%), which are dependent on future share price appreciation or depreciation. Threshold, target and maximum levels are disclosed in the compensation analysis and the Committee provided sufficient information with respect to actual company performance, which enables shareholders to assess the challenging nature of targets. However, the Company uses adjusted performance metrics for elements of its annual bonus (Executive Management Bonus Plan -EMBP) and PRSUs. The use of non-GAAP metrics prevents shareholders from being able to fully assess the challenging nature of the performance targets.

Balance: D

Individual Payouts for the annual bonus (EMBP) were not considered to be excessive, with the CEO's EMBP payout being approximately 40% of base salary and 22.5% of target. Furthermore, the payout was rewarded without achieving targets for Adjusted Operating Income. However, the payout for the long term incentive was in excess of 850% of base salary. The total rewarded compensation is 994% of base salary for the year under review which is excessive based on best practice guidelines. The significance of LTIPs in this compensation package for the CEO is very concerning as a component of this long term awarding is based upon measures such as share price appreciation, which at times may not be synonymous with improved executive performance due to the influence of exogenous factors that may have an effect on the share price of a company.

Contract: C

The Company has a compensation claw back policy in place. Although, the Company does not provide any ‘special’ change-in-control benefits to executives they do provide for ’double trigger’ accelerated vesting of equity in the circumstances of change of control.

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