Triodos Investment Management

STARBUCKS CORPORATION

MEETING DATE	Wed, 20 Mar 2019 10:00 am	TYPE	AGM	ISSUE DATE	Mon, 18 Mar 2019
MEETING LOCATION	WAMU Theater next to CenturyLink Field, located at 800 Occidental Avenue South, in Seattle, Washington				
CURRENT INDICES	S&P500				
SECTOR	Eating and drinking places				

	PROPOSALS	ADVICE
1.a	**Elect Rosalind G. Brewer** Executive Director. Support recommended.	**For**
1.b	**Elect Mary N. Dillon** Independent Non-Executive Director. However, individual attendance is not disclosed and there are concerns over the director's potential aggregate time commitments. She is chair of the Remuneration committee which is not fully independent which Triodos does not support.	**Oppose**
1.c	**Elect Mellody Hobson** Non-Executive Director. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board. She is chair of the Audit committee which is not fully independent which Triodos does not support.	**Oppose**
1.d	**Elect Kevin R. Johnson** Chief Executive Officer. Support recommended.	**For**
1.e	**Elect Jørgen Vig Knudstorp** Independent Non-Executive Director.	**For**
1.f	**Elect Satya Nadella** Independent Non-Executive Director.	**For**
1.g	**Elect Joshua Cooper Ramo** Independent Non-Executive Director.	**For**
1.h	**ElectClara Shih** Independent Non-Executive Director.	**For**
1.i	**Elect Javier G. Teruel** Non-Executive Director. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board.	**For**
1.j	**Elect Myron E. Ullman, III** Non-Executive Director. Not considered independent owing to a tenure of over nine years. However, 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 not disclose the fees it paid the Compensation Consultants. The disclosure of these fees is encouraged in the interests of greater transparency. The Company does not consider non-financial metrics in its assessment of performance. The aggregate incentive awards made during the year under review are considered to be overly excessive as it amounts to more than 200% of base salary. Awards under the annual-incentive plans are tied to multiple performance conditions and performance measures attached to long-term incentives do not duplicate those attached to other awards, which is considered best practice. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance. Performance shares have a three-year performance period, which is a market standard. However, a five-year performance period is considered best practice Executive compensation is aligned with peer group averages.The Company maintains a supplemental executive retirement plan for the benefit of certain officers; which is not in line with best practice. Change-in-control payments are subject to double-trigger provisions. The Compensation Committee has full discretion to accelerate the vesting of awards upon a change of control, which is a concern. Potential severance entitlements in a change of control scenario are considered excessive as they exceed three times the base salary 'Good reason' is not defined appropriately, such that the Remuneration Committee is able to apply discretion when determining the status of a departing executive.

The compensation rating is: DCD. Based on this rating, opposition is recommended.

3 Appoint the Auditors **Oppose**

Deloitte proposed. Non-audit fees represented 11.30% of audit fees during the year under review and 8.44% 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 ten years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.

4 Shareholder Resolution: True Diversity Board Policy **Oppose**

Proponent's Argument: The Proponent believes that boards that incorporate diverse perspectives can think more critically and oversee corporate managers more effectively. By providing a meaningful disclosure about potential Board members, shareholders will be better able to judge how well-suited individual board nominees are for the Company and whether their listed skills, experience and attributes are appropriate in light of the Company's overall business strategy. True diversity comes from diversity of thought. There is ample evidence that the Company operates in ideological hegemony that eschews conservative people, thoughts, and values. This ideological echo chamber can result in groupthink that is the antithesis of diversity. This can be a major risk factor for shareholders.

Shareholders believe a diverse board is a good indicator of sound corporate governance and a well-functioning board. Diversity in board composition is best achieved through highly qualified candidates with a wide range of skills, experience, beliefs, and board independence from management. They are requesting comprehensive disclosures about board composition and what qualifications the Company seeks for its Board.

Company's Argument: The Starbucks' board of directors recommends that shareholders vote against this proposal for the following reasons:

A diverse and inclusive environment is critical for how Starbucks does business. Accordingly, the Company seeks diversity in all forms in all areas of its business, including in the board of directors. The board of directors values diversity when it seeks and evaluates board candidates, with the goal of bringing to the Company a variety of perspectives, backgrounds and skills that are relevant to its global business activities, its ability to navigate prevailing and potential business conditions and the board's ability to provide oversight and insight.

This year the Company has introduced to its proxy statement a new "Director Skills Matrix" to provide even more transparency to its shareholders about the strength and composition of the board. As a result of the nominations and evaluation process, the board of directors continues to be comprised of accomplished and successful individuals with diverse backgrounds and a variety of perspectives and skills derived from the highest quality business and professional experiences. The Company states that it is proud of its board's diversity and that each of its directors brings to the board the perspectives, experiences and skills necessary to be deeply engaged and involved in overseeing the Company's global business activities, its long-range strategy and business initiatives.

The Company argues that given the diversity of its board, it continued commitment to diversity at all levels of its business and the transparency of the board selection criteria already set forth in its Proxy Statement, the board of directors believes that the Company already addresses the disclosure requested by this proposal and does not believe that implementing this proposal would enhance its shareholders' understanding of the board diversity.

PIRC's Analysis: The potential benefits of board diversity lie in widening the perspectives on business issues brought to bear on decision-making, avoiding too great a similarity of attitude and helping companies understand its customers, marketplace, supply chain and workforces. Disclosure surrounding the board's composition allows shareholders to consider board diversity in the context of the long-term interests of the Company. However, the Company's board can already considered to be diverse, since it is disclosed that it is made up of 40% women, 50% racial diversity and 20% national diversity - though including the CEO, who is on the board, would reduce these proportions. In addition, this year, for the first time, the company has included a board skills matrix which effectively satisfies the proponent's request.
Triodos opposes this resolution.

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

Proponent's Argument: Proponent believes that the Board should evaluate and report on the potential for fulfilling the company's environmental impact leadership commitments and goals toward reducing ocean pollution, including more detailed disclosure of any trends, policies and metrics on issues such as: (1) Progress toward recycling cups in its operations, worldwide, (2) Assessing the environmental impacts of business expansion in markets lacking recycling and waste management capacity, (3) Quantifying the portion of cups collected that are recycled, (4) Progress towards a significantly increased reusable container goal, and (5) Quantifying the extent to which it is using recycled content in plastic cups.

Company's Argument: The Starbucks board of directors recommends that shareholders vote against this proposal for the following reasons:

The Company has made sustainability a priority since early on its history, and has consistently established ambitious sustainability goals. Since 2001, Starbucks has publicly reported social and environmental performance metrics in its annual Global Social Impact Report. In addition, the Company annually submits performance and content to key industry-recognized reports such as the Dow Jones Sustainability Index and the Carbon Disclosure Project (CDP) annual carbon emissions report. Last year, the Company announced three major initiatives designed to further accelerate and scale its commitments to reduce the environmental impact of its global store operations:

Next Gen Cup Challenge, with a three-fold objectives: (1) addressing cup design and ensuring materials are sustainably sourced and achieve maximum recapture and recovery, (2) gaining an understanding of the highly complex global landscape of infrastructure systems to inform product requirements, and (3) building a coalition of companies representing the broader global cup market to leverage and scale an industry-wide call to action.

In July 2018, the Company committed to eliminate plastic straws, globally, by 2020. It plans to do this in two ways. First, with the roll out of Starbucks strawless lid and, second, it will offer new straws made of alternative materials-such as paper or PLA, a compostable plastic, eliminating nearly 1 billion plastic straws per year globally.

Greener Stores: In September 2018, at the Global Climate Action Summit, Starbucks announced a commitment to build upon its position as the largest LEED retailer with over 1,500 LEED certified stores in 20 countries by operating 10,000 Greener Stores globally.

Starbucks has consistently reported performance against its environmental commitments and the environmental impacts of its global business operations. Accordingly, the Company believes additional analysis and reporting as requested by the proponent would be duplicative and unnecessary.

PIRC's Analysis: Reporting on sustainability 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 the management and board of a company gives due consideration to these issues. The Company indicates that it already has significant initiatives in this area which are reported on fully in its 2017 Sustainability Report (https://www.starbucks.com/responsibility/global-report) and further reported in its Company response. However, the sustainability reporting, both in the report and the response, takes the form of "In 2010 Starbucks started expanding its in-store recycling program to include bins and service designed for customer-facing recycling in U.S. and Canadian locations. Today, nearly 60% of stores in the U.S. and Canada have established front-of-store recycling services, an increase from 5% in 2010." In other words, there is no disclosure of time-bound goals for 100% of stores have recycling services, nor is there any disclosure of what proportion of cups are recycled or what progress has been made towards such goals. For this reason the report requested is neither duplicative nor unnecessary.
Triodos supports this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 2 - Advisory Vote on Executive Compensation

Disclosure: D The grant of performance awards was based on the achievement of set levels of specific performance targets. In terms of the Annual Bonus the quantified performance targets are the Adjusted Net Revenue performance (40%) and the Adjusted Operating Income performance (60%). The performance-based long term incentive is subject to quantified performance targets measured with the adjusted EPS and ROIC. The Company has not disclose the fees it paid the Compensation Consultants. The disclosure of these fees is encouraged in the interests of greater transparency. The peer groups used for the purpose of pay comparison have been fully disclosed by the Company.

Balance: C The Company uses adjusted performance metrics for most elements of compensation. The use of non-GAAP metrics prevents shareholders from being able to assess fully whether the performance targets are sufficiently challenging. The Company does not consider non-financial metrics in its assessment of performance.The aggregate incentive awards made during the year under review are considered to be overly excessive as it amounts to more than 200% of base salary. Awards under the annual-incentive plans are tied to multiple performance conditions and performance measures attached to long-term incentives do not duplicate those attached to other awards, which is considered best practice. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance. Performance shares have a three-year performance period, which is a market standard. However, a five-year performance period is considered best practice Executive compensation is aligned with peer group averages.

Contract: D The Company maintains a supplemental executive retirement plan for the benefit of certain officers; which is not in line with best practice. Change-in-control payments are subject to double-trigger provisions. The Compensation Committee has full discretion to accelerate the vesting of awards upon a change of control, which is a concern. Potential severance entitlements in a change of control scenario are considered excessive as they exceed three times the base salary 'Good reason' is not defined appropriately, such that the Remuneration Committee is able to apply discretion when determining the status of a departing executive. The claw-back policy is considered appropriate as it applies to short- and long-term incentives, and is not limited to cases of financial misstatement.

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