Triodos Investment Management

STARBUCKS CORPORATION

MEETING DATE	Wed, 17 Mar 2021 10:00 am	TYPE	AGM	ISSUE DATE	Tue, 09 Mar 2021
MEETING LOCATION	Virtual-Only Meeting: www.virtualshareholdermeeting.com/SBUX2021				
CURRENT INDICES	S&P500				
SECTOR	Eating and drinking places				
FYE	30 Sep 2020				

	PROPOSALS	ADVICE
1.a	**Elect Richard E. Allison, Jr - Non-Executive Director** Independent Non-Executive Director. Triodos supports this resolution.	**For**
1.b	**Elect Rosalind G. Brewer - Executive Director** Executive Director. Triodos supports this resolution.	**For**
1.c	**Elect Andrew Campion - Non-Executive Director** Independent Non-Executive Director. Triodos supports this resolution.	**For**
1.d	**Elect Mary N. Dillon - Non-Executive Director** Independent Non-Executive Director. Triodos supports this resolution.	**For**
1.e	**Elect Isabel Ge Mahe - Non-Executive Director** Independent Non-Executive Director. Triodos supports this resolution.	**For**
1.f	**Elect Mellody Hobson - Chair (Non Executive)** Non-Executive Director. Not considered independent as owing to a tenure of over nine years. There is sufficient independent representation on the Board. Triodos supports this resolution.	**For**
1.g	**Elect Kevin R. Johnson - Chief Executive** Chief Executive.	**For**
1.h	**Elect Jørgen Vig Knudstorp - Non-Executive Director** Independent Non-Executive Director. Jørgen Vig Knudstorp is chair of the Governance Committee. Triodos supports this resolution.	**For**
1.i	**Elect Satya Nadella - Non-Executive Director** Independent Non-Executive Director.	**For**
1.j	**Elect Joshua Cooper Ramo - Non-Executive Director** Non-Executive Director. Not considered independent as he has a tenure of over nine years. There is sufficient independent representation on the Board. Triodos supports this resolution.	**For**
1.k	**Elect Clara Shih - Non-Executive Director** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is sufficient independent representation on the Board. Triodos supports this resolution.	**For**

1.l Elect Javier G. Teruel - Non-Executive Director **For**

Non-Executive Director. Not considered independent as owing to a tenure of over nine years. There is sufficient independent representation on the Board.
Triodos supports this resolution.

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.

Executive compensation is not aligned with peer group averages. 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 included non-financial metrics into the annual bonus structure, which is considered best practice. The annual incentive award made during the year under review is not considered to be overly excessive as it amounts to less than 200% of base salary. Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Performance shares have a three-year performance period, which is a market standard. However, a five-year performance period is considered best practice. Performance metrics are replicated under different incentive plans, raising concerns that executives are being rewarded twice for the same performance. Awards under the annual-incentive plans are tied to multiple performance conditions, which is considered best practice.
The compensation rating is: ADB.
Triodos opposes this resolution.

3 Appoint the Auditors **Oppose**

Deloitte proposed. Non-audit fees represented 1.88% of audit fees during the year under review and 5.98% 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 and there are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.
Triodos opposes this resolution.

4 **Shareholder Resolution: Adopt a Policy to Include Non-Management Employees as Prospective Director Candidates** **For**

Proponent's argument: Shareholders urge the board to adopt a policy ('Policy') of promoting significant representation of employee perspectives among corporate decision makers by requiring the initial list of candidates from which new director nominees are chosen ('Initial List') by the Nominations and Governance Committee include (but need not be limited to) non-management employees. The Policy should provide that any third-party consultant asked to furnish an Initial List will be requested to include such candidates: "There is growing consensus that employees on corporate boards can contribute to long-term corporate sustainability. Policymakers note, having companies run exclusively to benefit shareholders contributes to 'stagnant wages, runaway executive compensation and underinvestment in research and innovation.' The Business Roundtable asks corporations to align with stakeholder interests, including employees. Employee representation grows long-term value of companies in several ways. According to the National Bureau of Economic Research, giving workers formal control rights increases female board representation and raises capital formation. Employees are also often more diverse than boards in terms of race, gender, and wealth. The German 'co-determination' model of shared governance is lauded as an excellent check against short-term capital allocation practices. The 2018 UK Corporate Governance Code calls on boards to establish a method for gathering workforce views. Options include a director appointed from the workforce, a formal workforce advisory panel or designating a director to liaise with workers. Senators Baldwin and Warren have introduced legislation codifying employee representation on corporate boards, noting that modern corporate governance needs to be accountable to a wider array of interests, notably employees. Polling demonstrates bipartisan public support (over 53%) for employee representation. Anticipated benefits include reduced turnover as employees are more empowered to make firm-specific investments, better informed decision-making because employees have specialized knowledge, better monitoring of management with increased information channels, and reduced shareholder myopia since employees often take a longer-term view. While our Board satisfies independence requirements, it lacks representation from non-management employees, who bring a different understanding of operations than other directors. Additionally, Starbucks' CEO to median employee pay ratio is 1675:1 and Starbucks has no employee stock ownership plan (ESOP) to help grow employee wealth and engagement."

Company's response: The board recommends a vote against this proposal: "We believe the board and the Nominating/Governance Committee are best situated to assess the particular qualifications of, and make recommendations regarding, potential director nominees. As disclosed in our Governance Principles and as set forth in our Nominating/Governance Committee charter, the Nominating/Governance Committee determines the skills and qualifications required of directors and develops the criteria to be considered in selecting potential candidates for board membership, taking into account the necessity of composing a board that possesses the collaborative culture, characteristics, skills and expertise necessary for Starbucks to attain its goals, and its responsibility in selecting nominees who reflect a diversity of backgrounds, identities, perspectives and personal and professional experiences. When evaluating potential director candidates, our Nominating/Governance Committee has a fiduciary duty to act in good faith and in the best interests of the company and our shareholders. Our Nominating/Governance Committee and full board evaluate and recommend director nominees after carefully assessing their specific qualifications and experience to determine their ability to contribute to an effective and diverse board that operates openly and collaboratively to serve the best interests of all of our stakeholders."

PIRC analysis: It is considered that the appointment of representatives of (non-management) employees to the board has the potential to create a positive influence in areas of decision making normally reserved for the Board and senior management. The election of employee-representative director(s) is common practice in a number of major economies, and is considered to be an effective way of ensuring that employee views and concerns are considered properly at board level.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 2 - Advisory Vote on Executive Compensation

Disclosure: A - The company has failed to provide 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. The grant of performance awards was based on the achievement of set levels of specific performance targets: the financial performance goals and the individual performance factor ("IPF"). The performance-based long term incentive is subject to quantified performance targets for TSR & EPS

Balance: D - Executive compensation is not aligned with peer group averages. 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 included non-financial metrics into the annual bonus structure, which is considered best practice. The annual incentive award made during the year under review is not considered to be overly excessive as it amounts to less than 200% of base salary. Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Performance shares have a three-year performance period, which is a market standard. However, a five-year performance period is considered best practice. Performance metrics are replicated under different incentive plans, raising concerns that executives are being rewarded twice for the same performance. Awards under the annual-incentive plans are tied to multiple performance conditions, which is considered best practice.

Contract: B -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. 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. Equity awards are subject to pro-rata vesting, which is line with best practice. 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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