

Second-Party Opinion

Starbucks Sustainability Bond

Evaluation Summary

Sustainalytics is of the opinion that the Starbucks Corporation (Starbucks) Sustainability Bond Framework is credible and impactful, and aligns with the Sustainability Bond Guidelines 2018. This assessment is based on the following:



USE OF PROCEEDS The social and green categories eligible for the use of proceeds – (i) Socioeconomic Advancement and Empowerment, (ii) Access to Essential Services, and (iii) Green Buildings – are aligned with those recognized by the Green Bond Principles 2018, the Social Bond Principles 2018, and the Sustainability Bond Guidelines 2018. Overall, the use of proceeds will, in Sustainalytics’ opinion, have positive environmental and social impacts and advance the UN Sustainable Development Goals, specifically 1, 8, 9, 11, and 12.



PROJECT EVALUATION / SELECTION Starbucks Global Coffee Team and/or Energy & Sustainability team will assess and recommend eligible projects to the Finance department. Loans will require approval by the Chief Financial Officer and all other projects will be reviewed by the Finance department. Sustainalytics considers this in line with market practice.



MANAGEMENT OF PROCEEDS The proceeds from the sustainability bond will be allocated and managed by Starbucks Finance department. The department will internally track quarterly budgets and actual spend for all the eligible project categories. Pending the allocation, the company will temporarily invest an amount equal to the balance of the proceeds in cash, cash equivalents and/or treasury securities. This is in line with market practice.



REPORTING Starbucks intends to publish annual updates on its website and in its annual Starbucks Global Responsibility Report, comprising of allocation reporting, and where feasible, impact reporting. The reports will also be accompanied by management assertion that the net proceeds were allocated to eligible projects, and a report by an external auditor on the examination of such assertion. Sustainalytics considers this in line with market best practice.

Evaluation date	May 2019
Issuer Location	Washington, USA

Report Sections

Introduction.....	2
Sustainalytics’ Opinion	3
Appendices	9

For inquiries, contact the Sustainable Finance Solutions project team:

Ankita Shukla (New York)
 Project Manager
 ankita.shukla@sustainalytics.com
 (+1) 617 603 3329

Mayur Mukati (Toronto)
 Project Support
 mayur.mukati@sustainalytics.com
 (+1) 647 936 5656

Paramjot Kaur (New York)
 Client Relations
 susfinance.americas@sustainalytics.com
 (+1) 646 518 0184

Introduction

Established in 1971 and headquartered in Seattle, Washington, Starbucks Corporation (“Starbucks”, or the “Issuer”) operates as a roaster, marketer, and retailer of specialty coffee worldwide. It is the world’s fourth-largest coffee roaster in terms of volume, and it is responsible for approximately 3% of global coffee sourcing. Starbucks caters to millions of customers daily in more than 78 markets. As of the second quarter of 2019, Starbucks has more than 30,000 stores around the globe.

In 2016, Starbucks issued a sustainability bond to finance projects in coffee growing regions that aim to promote socio-economic advancement and environmental sustainability. The Starbucks Corporation Sustainability Bond Framework was created that followed the four core components of the Green Bond Principles 2016 and that aligned with the Social Bond Guidelines 2016. As an expansion to Eligible Projects, including its “Greener Stores” Initiative, Starbucks has updated its Sustainability Bond Framework (the “Framework”) under which it is considering to issue sustainability bonds and use the proceeds to finance/refinance, in whole or in part, existing/future projects that aim to promote socio-economic advancement and environmental sustainability in both the coffee growing regions and in its end markets through its stores. The Framework defines eligibility criteria in the following three areas:

1. Socioeconomic Advancement and Empowerment:
 - a. Purchasing coffee verified by a third-party as complying with Coffee and Farmer Equity (C.A.F.E.) Practices. Sustainable coffee purchases include related expenditures for coffee transportation and storage;
2. Access to Essential Services:
 - a. Expenditures related to development and operations of Farmer Support Centers and agronomy research and development center.
 - b. Loans made to coffee farmers through Starbucks’ USD 50 million Global Farmer Fund.
3. Green Buildings:
 - a. Investments made through the “Starbucks Greener Stores” Initiative, a framework and commitment to design, build and operate 10,000 “Greener Stores” globally by 2025, to be co-developed by leading experts including World Wildlife Fund (WWF) and will be audited and verified by SCS Global Services.

Starbucks engaged Sustainalytics to review the Starbucks Sustainability Bond Framework, dated April 2019, and provide a second-party opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2018 (SBG).¹ This Framework has been published as an Appendix 1 within this document.

As part of this engagement, Sustainalytics held conversations with various members of Starbucks’ management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of Starbucks’ sustainability bond. Sustainalytics also reviewed relevant public documents and non-public information.

¹ The Sustainability Bond Guidelines are administered by the International Capital Market Association (ICMA) and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Starbucks Sustainability Bond Framework

Summary

Sustainalytics is of the opinion that the Starbucks Sustainability Bond Framework is credible and impactful, and aligns with the SBG 2018 and the four core components of the Green Bond Principles 2018 ("GBP 2018") and Social Bond Principles 2018 ("SBP 2018"). Sustainalytics highlights the following elements of Starbucks Sustainability Bond Framework:

- Use of Proceeds:
 - The social and green categories eligible for the use of proceeds are recognized as impactful by the GBP 2018, SBG 2018, and the SBG 2018.
 - The Framework has defined coffee farmers from coffee-growing regions as targeted population under the social use of proceeds.
 - The Socioeconomic Advancement and Empowerment category will include coffee purchases from suppliers who comply with C.A.F.E Practices as verified by accredited third-parties. Sustainalytics recognizes some criticisms regarding C.A.F.E. Practices (see Appendix 2 for additional details on the Starbucks C.A.F.E. Practices). Nevertheless, Sustainalytics believes that such guidelines will generate environmental and social benefits through ethical coffee sourcing.
 - The Access to Essential Services category includes Farmer Support Centers, an open-sourced agronomy research and development center, and loans through Starbucks Global Farmer Fund. Sustainalytics believes that Starbucks will create social benefits by providing technical and financial support to coffee farmers, especially those who may not qualify for commercial loans.
 - The eligible projects under the green use of proceeds will provide meaningful environmental contributions.
 - Starbucks' eligibility criteria for Green Buildings include existing and new stores under the "Starbucks Greener Stores Initiative" which may include:
 - Development, construction and/or certification program cost related to existing and/or new stores;
 - Investments to bring new renewable energy generation from solar and wind on the grid and purchases of Renewable Energy Certificates that meet Green-e certification standards sourced from wind, solar and low-impact hydropower projects to meet Starbucks 100% renewable energy procurement goal for stores under its Greener Stores Initiative (see Appendix 3 for additional details on the Green-e Certification Standards and Low-Impact Hydropower).
 - Sustainalytics believes that Starbucks, through quantitative and qualitative implementation measures defined under its Greener Stores Initiative, will create significant environmental benefits including the reduction of carbon and water footprint, and waste from its global stores (see Appendix 4 for additional details on the Starbucks Greener Stores Initiative).
 - Some proceeds will be used to finance operational expenditures (OPEX), such as labor expenses to run farmer support centers, as well as research and development costs. Sustainalytics believes that such expenditures will be important to contribute to positive environmental and/or social impacts through Starbucks' supply chain activities. Starbucks confirmed it is able to monitor such expenditures and can allocate these expenditures to eligible projects, verifying that OPEX is directly tied to eligible and impactful projects.
- Project Evaluation and Selection:
 - Starbucks Global Coffee Team and/or Energy & Sustainability team will assess and recommend eligible projects to the Finance department. Loans will require approval by the Chief Financial Officer and all other projects will be reviewed by the Finance team. Sustainalytics considers this line with market practice.
 - Starbucks Global Coffee Team will recommend the eligible projects (except for loans to farmers) to Finance team, on weekly- or annual-basis, for their approval. The recommendations regarding loans to coffee farmers will be made on a monthly basis and will require approval by the company's Chief Financial Officer.

- Similarly, Starbucks Energy & Sustainability team, along with Starbucks Sourcing and Public Affairs teams, will evaluate and select green projects eligible under use of proceeds on an annual basis, followed by approval from the Finance department.
- Management of Proceeds:
 - The proceeds from the sustainability bond will be allocated and managed by Starbucks' Finance department. The Finance department will internally track quarterly budgets and actual spend for all the eligible project categories. Pending the allocation, the company will temporarily invest an amount equal to the balance of the proceeds in cash, cash equivalents and/or treasury securities. This is in line with market practice.
- Reporting:
 - Starbucks intends to publish annual updates on its website and annual Starbucks Global Responsibility Report comprising of allocation reporting, and where feasible, impact reporting. The reports will also be accompanied by management assertion that the net proceeds were allocated to eligible projects, and a report by an external auditor on the examination of such assertion. Sustainalytics considers this in line with market best practice.
 - The allocation reporting may also include additional descriptions of select projects funded with bond proceeds.
 - Where feasible, the impact reporting will include relevant social and environmental metrics, such as coffee purchased (in pounds; in percentage of total coffee purchases by the company; and by continent) under C.A.F.E Practices, (annual) number of farmers who participated in C.A.F.E. Practices, amounts loaned through Global Farmer Fund (against USD 50million commitment), number of Farmer Support Centers (newly opened and with continued operations), number of stores certified to Greener Stores standards, and details on initiatives linked to renewable energy (% coverage for stores), energy use reduction (%), water use reduction (%), and number of stores with recycling.

Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that the Starbucks Sustainability Bond Framework aligns to the SBG 2018 and the four core components of the GBP 2018 and SBP 2018. For detailed information please refer to Appendix 5: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Performance of the Issuer

Contribution of Sustainability Bond Framework to Starbucks' sustainability strategy

Sustainalytics is of the opinion that Starbucks articulates a strong commitment towards sustainability, including sustainable coffee and greener retail. The company has demonstrated its commitment to ethical sourcing of coffee and social impact in its Global Social Impact- 2017 Performance Report² through the following initiatives and targets:

- Starbucks has outlined four commitment areas: (i) sustainable coffee, (ii) greener retail, (iii) creating opportunities through employment, training and education, and (iv) strengthening communities. Starbucks' Sustainable Coffee Goals include 100% ethically sourced coffee ("Sourcing Commitment"); providing 100 million coffee trees to farmers by 2025 ("Planting Trees"); training 200,000 coffee farmers by 2020 ("Open-Source Agronomy"); and investment of US\$50 million in financing for farmers ("Global Farmer Fund").
- In 2015, 99% of the 555 million pounds of Starbucks' coffee was ethically sourced either through Coffee and Farming Equity (C.A.F.E.) Practices, Fairtrade, or another externally audited system. While expanding its sourcing base, the company has been gradually increasing targets for ethically sourced coffee (according to C.A.F.E. Practices standards) year-on-year, reaching 99% target in 2015.
- Starbucks aims to become the world's largest green retailer with a target of building 10,000 greener retail stores by 2025. The company already has more than 1,500 LEED-certified stores in 20 countries, including all 50 US states and Puerto Rico, accounting for approximately 20% of the LEED-certified retail projects globally. Moreover, it is developing new global store verification program which will consider innovation, sustainability and efficiencies throughout its stores.

² Starbucks Corporation, Global Social Impact- 2017 Performance Report:
<https://globalassets.starbucks.com/assets/8c1f8c07efde407e9d48bfaf518c0b45.pdf>

Starbucks Sustainability Bond

- Starbucks operates nine Farmer Support Centers in major coffee-producing countries, such as China, Rwanda, Mexico, and a Global Agronomy Center in Costa Rica. Starbucks' open-sourced agronomy approach provides farmers with access to the latest findings from agronomists, including new varieties on disease-resistant trees and soil management techniques. Additionally, Starbucks has trained nearly 25,000 coffee farmers, globally, and is working to reach a target of training 200,000 coffee farmers by 2020.
- Starbucks, through its Global Farmer Fund, has committed to provide US\$50 million loans to farmers by 2020, especially those who may not qualify for commercial loans. It supports and strengthens coffee farms, such as through coffee tree renovation and infrastructure improvements. In 2015, it dispersed USD 17.6 million in funds and has since worked with partners to disburse an additional USD 2.75 million in 2016. Its Global Farmer Fund includes US\$2 million commitment, in partnership with the Inter-American Development Bank (IDB), for supporting 2,000 primarily women coffee growers in Colombia.
- Starbucks ranked at the top-most position in EPA's Green Power Partnership Retail Top 30,³ released in February 2019, which represented the largest green power users among US retail organizations. The company chose to purchase green power in an amount exceeding 100% of its US organization-wide annual electricity use.
- Starbucks is one of the founding members of Sustainable Coffee Challenge. The Challenge is a diverse industry coalition formed in 2015, led by Conservation International and consists of over 100 global public and private partners, collaborated to enhancing transparency in supply chain and making coffee the world's first sustainable agricultural product. Starbucks is also involved with tea and cocoa sustainability with industry partners, such as Ethical Tea Partnership (ETP) and World Cocoa Foundation.

Sustainalytics is of the opinion that Starbucks' Sustainability Bond Framework is aligned with the company's corporate sustainability strategy and targets, and that Starbucks is well positioned to issue a sustainability bond.

Well positioned to address common environmental and social risks associated with the projects

While Sustainalytics recognizes that the proceeds from Starbucks' Framework will be directed towards Eligible Projects that are recognized by market norms (GBP 2018, SGP 2018, and SBG 2018) to have positive impact; yet Sustainalytics is aware that such projects could also lead to negative environmental and social outcomes. Some common risks associated with procuring coffee from developing countries include social risks such as child labour, forced labour, unsafe working conditions, and below minimum wage payment. Additionally, procurement of coffee is also associated with certain environmental risks, such as inefficient use of water, soil degradation through use of pesticides, and deforestation.

Sustainalytics is of the opinion that Starbucks can mitigate such risks with the following elements of its strategy and operations:

- *Strong social supply chain management:*
 - Starbucks has very strong social supply chain standards that address health and safety, minimum living wages, maximum working hours, freedom of association, child labour, non-discrimination, forced labour and corporal punishment.
 - Furthermore, the company engages SCS Global Services to oversee (i) the audit framework and methodology and (ii) the network of approved third-party verification organizations that evaluate suppliers against its supply chain standards.
 - Starbucks also works with suppliers to correct any noncompliance. Suppliers that fail to comply or fail to work with Starbucks or the third party to correct noncompliant practices may have their contracts or business relationship terminated. Additionally, the company may discontinue the use of non-complying production sites.
 - Given (i) the breadth of Starbucks' social supply chain standards, (ii) the use of a credible third party to oversee audit methodology and verifiers, (iii) use of corrective action for non-compliance, and (iv) policy to discontinue using non-compliant farmers, Sustainalytics is of the opinion that Starbucks's social supply chain management aligns with best practice in sustainable supply chain management.
- *Importance of verification in mitigating environmental risk associated with procurement of coffee:*
 - Starbucks' C.A.F.E. Practices refer to a sustainable sourcing programme, developed by the company in collaboration with Conservation International, aim to ensure coffee quality while

³ EPA, Green Power Partnership Top 30 Retail: <https://www.epa.gov/greenpower/green-power-partnership-top-30-retail>

promoting social, economic and environmental standards. In particular, the scope of environmental standards covered by C.A.F.E practices is comprehensive and directly addresses the environmental risks associated with unsustainable coffee growing practices.

- The scope of C.A.F.E.'s environmental standards includes, but is not limited to, the prevention of water pollution, efficient use of water resources, controlling erosion, preventing deforestation through use of a coffee shade canopy, pest and disease control.
- Sustainalytics is of the opinion that (i) the comprehensive scope of C.A.F.E's environmental standards, (ii) Starbucks' implementation of a scoring system that awards a premium to higher-scoring coffee farmers (thereby incentivizing better performance), and (iii) C.A.F.E's requirement for farmers to comply with a set of minimum standards (known as zero tolerance indicators) are strong measures to mitigate identified environmental risks.
- Sustainalytics recognizes that there has been some criticism of C.A.F.E. Practices. Sustainalytics has assessed Starbucks' C.A.F.E Practices and has found that C.A.F.E. standards are aligned with leading practices in sustainable supply chain management, addressing environmental and social risks associated with growing coffee. For a full analysis on C.A.F.E practices, see Appendix 1.

Sustainalytics is of the opinion that Starbucks is well positioned to mitigate both these risks, due to (i) the strength of its social supply chain management system and (ii) procurement of verified coffee.

Section 3: Impact of Use of Proceeds

The eligible green category and two eligible social categories are recognized as impactful by the GBP 2018, and the SBP 2018, respectively.

Impact of purchasing verified coffee

By purchasing coffee that is verified by C.A.F.E. practices or by other credible third-party standards, Starbucks is not only mitigating environmental risk, but is also promoting the use of more sustainable agricultural techniques. Such environmentally sustainable farming practices are often also better for crop yield, and for farmers' livelihoods. For example, growing coffee under a canopy of trees mitigates the environmental risk of deforestation, but also results in better soil productivity, supports biodiversity, and results in improved quality of the coffee produced.

Overall, by procuring certified coffee, Starbucks is creating environmental and social impact by promoting the use of environmentally impactful agricultural practices that can also improve farmers' livelihoods.

Impact of lending to coffee farmers

About 20 million of the world's rural poor depend on coffee production for their livelihoods.⁴ Lending to smallholder coffee farmers plays a key role in improving their livelihoods by increasing their access to finance. Typically, small-scale coffee farmers lack access to finance as: (i) a lack of financial literacy and poorly defined property rights often prevent the use of cultivated land as collateral, and (ii) the cost of credit in developing countries is high, especially the cost of longer-term credit appropriate to capital investments. Without access to affordable credit, most smallholders are confined to sub-optimal inputs and methods, and therefore to low productivity, putting their livelihood at risk.⁵ In general, the smallholder financing market is still in its early stages and is undeveloped, fragmented, and undercapitalized. A directional estimate of the market suggests that the smallholder demand for financing could be as large as USD 450 billion, the vast majority of which is unmet⁵.

Sustainalytics believes that Starbucks will create significant social benefits through the provision of loans to coffee farmers, with 55% of its loans to small-scale farmers (defined by Starbucks as farmers with less than 12 hectares of land).

Importance of green retail stores, products and practices

⁴ Food and Agriculture Organization of the United Nations, Sustainable Food and Agriculture: <http://www.fao.org/sustainability/en/>

⁵ IFC, Building a roadmap to sustainability in agro-commodity production: http://www.newforesight.com/wp-content/uploads/2014/06/IFC-Report_here.pdf

Starbucks Sustainability Bond

In 2018, Starbucks announced to build and/or operate 10,000 “Greener Stores” by 2025, deepening its commitment to sustainability beyond its plan to eliminate single-use plastic straws from its global stores by 2020.⁶ In order to meet the commitment, Starbucks developed its open-sourced Greener Stores operations framework, in partnership with World Wildlife Fund (WWF) and SCS Global Services, considering innovation, sustainability and efficiencies in its global stores. The key elements for store design and operations performance-based standards include (i) deploying technologies and practices that deliver energy efficiency of 25% over historic design practices (baseline) and water stewardship of 30% over baseline, (ii) powering stores by 100% renewable energy through country-specific solar and wind energy projects, (iii) considering wellbeing and comfort of partners and customers (such as lighting, noise, air quality and temperature), (iv) procuring responsible materials and products, (v) reducing waste, and (vi) engaging partners in sustainable initiatives.⁷ Sustainalytics believes that Starbucks, through such commitment and its underlying initiatives, will create multiple environmental benefits, including reduction in carbon (and water) footprint for stores, increase in renewable energy demand and access to healthy built environment, as well as through responsible sourcing and sustainable material use, and reduction in waste.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Socioeconomic advancement and empowerment	12. Responsible Consumption and Production	12.2 By 2030, achieve the sustainable management and efficient use of natural resources.
Access to essential services	1. No Poverty 8. Decent Work and Economic Growth 9. Industry, Innovation and Infrastructure	1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance. 8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services. 9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending.
Green Buildings	11. Sustainable Cities and Communities	11.B By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement.

⁶ CNBC, Starbucks to build 10,000 'greener' stores by 2025: <https://www.cnbc.com/2018/09/13/starbucks-to-build-10000-greener-stores-by-2025.html>

⁷ Starbucks, Greener Stores: <https://www.starbucks.com/responsibility/environment/leed-certified-stores>

Conclusion

Starbucks has developed a Sustainability Bond Framework to finance, or refinance, a broad range of eligible projects that intend to deliver positive environmental and social outcomes. Sustainalytics believes that Starbucks' Framework is aligned with the company's sustainability strategy and that the environmental and social use of proceed categories will advance a number of key SDGs. Additionally, Sustainalytics is of the opinion that Starbucks has sufficient measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Furthermore, Sustainalytics highlights that Starbucks may invest in research and development and provide training and loans which will support global coffee farmers, and that are recognized as impactful by the SBP 2018.

Overall, Sustainalytics is of the opinion that the Starbucks Sustainability Bond Framework is robust, transparent, and in alignment with the SBG 2018 and the four core components of the GBP 2018 and the SBP 2018.

Appendices

Appendix 1: Starbucks Framework

STARBUCKS CORPORATION SUSTAINABILITY BOND FRAMEWORK APRIL 2019

1. PREFACE

Starbucks Corporation (“Starbucks”, “the Company”) intends to issue a USD-denominated Sustainability Bond as part of an upcoming capital markets transaction. The Sustainability Bond will include a similar framework to the prior Starbucks Sustainability Bonds of 2016 (USD) and 2017 (JPY), but will also expand the scope of Eligible Projects to include the Company’s recently-announced “Starbucks Greener Stores” framework. Altogether, the Sustainability bond will focus on both enhancing the Company’s sustainability initiatives around coffee supply chain management and environmental sustainability programs around its stores and operations.

In addition, Starbucks plans to align its Sustainability Bond eligible project categories with the U.N. Sustainable Development Goals (“SDGs”). The Company believes that aligning Eligible Sustainability Projects with the SDGs is a step towards contributing capital towards the accomplishment of the SDGs.

Starbucks will seek to engage Sustainalytics to ensure this framework is in alignment with the Green Bond Principles 2018, Social Bond Principles 2018 and the Sustainable Bond Guidelines 2018 and provide an opinion on the sustainability bond.

2. INTRODUCTION

Established in 1971 and headquartered in Seattle, Washington, Starbucks operates as a roaster, marketer, and retailer of specialty coffee worldwide. It is the world’s fourth largest coffee retail chain in terms of sales volume and number of stores, and it is responsible for approximately 3% of global coffee sourcing. Starbucks caters to millions of customers daily in more than 78 markets. In March 2019, Starbucks celebrated its 30,000th store globally.

Given that Starbucks has significant influence in the coffee supply chain, the company has implemented a strategic focus on “building a future with farmers”, investing in coffee farmers and their communities. In 2004, together with Conservation International, an environmental NGO, Starbucks developed its own ethical sourcing third-party verification program, the Coffee and Farmer Equity (C.A.F.E.) Practices, which includes standards related to quality, economic, social and environmental performance. C.A.F.E. Practices promotes environmentally responsible growing methods and ensures minimum wages, fair working conditions, economic transparency and resource management.

Starbucks also partners with a wide array of industry stakeholders, NGOs, and governments to further promote sustainable coffee sourcing and to positively impact the lives of coffee farmers and their communities. In addition, the Company addresses other sustainability challenges in the coffee supply chain through Farmer Support Centers (FSC’s) in coffee growing regions, and farmer loans and community investments. Through the issuance of a sustainability bond focused on sustainable sourcing, Starbucks aims to finance initiatives that will make a positive social and environmental impact in the coffee supply chains worldwide. Starbucks larger goal in coffee is to “make coffee the world’s first sustainable agricultural product,” and its ethical sourcing programs, open-source agronomy and supply chain investments are linked to this longer-term ambition.

In September 2018, Starbucks announced the “Starbucks Greener Stores” framework and a commitment to design, build and operate 10,000 “Greener Stores” globally by 2025. “Starbucks Greener Stores” framework will be built upon comprehensive performance criteria that help ensure the C

company's approach to designing, building, and operating its company-owned stores sets a new standard for green retail. Starbucks plans to develop an accredited program to audit all existing company-operated stores in the U.S. and Canada against the framework criteria, culminating in 10,000 "Greener Stores" globally by 2025, encompassing existing stores, new builds and renovations.

"Starbucks Greener Stores" framework will be co-developed by leading experts including World Wildlife Fund (WWF) and will be audited and verified by SCS Global Services, a third-party verification organization that also oversees Starbucks Coffee and Farmer Equity (C.A.F.E.) Practices. This framework will be open-sourced to enable other retailers to engage in this initiative.

2.1 U.N. Sustainable Development Goals

In September 2015, the UN General Assembly formally established 17 Sustainable Development Goals to be addressed by 2030. The goals set a common framework for public and private stakeholders to set their agendas and define their policies and strategies over the interim 15 years. Starbucks believes that aligning Eligible Projects with the SDGs is a step towards contributing capital towards the accomplishment of the SDGs.

3. FRAMEWORK OVERVIEW

For this sustainability bond, a framework has been created that follows the four core components of the Green Bond Principles 2018 and the Social Bond Principles 2018. By issuing this sustainability bond, Starbucks aims to finance or refinance projects that aim to promote socio-economic advancement and environmental sustainability in both the coffee growing regions and in its end markets through its stores. The following section summarizes Starbucks' sustainability bond framework, including the use of proceeds, process for project selection, the management of proceeds, and reporting.

3.1 Use of Proceeds

The proceeds of the sustainability bond will be allocated towards refinancing existing and financing new Starbucks' projects that meet one of the following eligibility criteria, with a two-year lookback period for refinancing projects.

In addition, each category of Eligible Projects has been identified as aligning with the U.N. Sustainable Development Goals, as indicated in each section.

3.1.1 Eligibility Criteria

To be eligible for the sustainability bond proceeds, the projects funded must fall in the following green and/or social categories, as per ICMA's Green Bond Principles 2018 and Social Bond Principles 2018:

1. SOCIOECONOMIC ADVANCEMENT AND EMPOWERMENT:

- **PURCHASING COFFEE VERIFIED BY A THIRD-PARTY AS COMPLYING WITH COFFEE AND FARMER EQUITY (C.A.F.E.) PRACTICES. SUSTAINABLE COFFEE PURCHASES INCLUDE RELATED EXPENDITURES FOR COFFEE TRANSPORTATION AND STORAGE. (SDG 12 - Responsible consumption and production)**

Context: As noted above, Starbucks has developed its own ethical sourcing programme, C.A.F.E. Practices, to measure and monitor the economic, social and environmental aspects of coffee production. In 2015, Starbucks achieved a target of sourcing 99% of its coffee ethically, defined as coffee that has been third-party audited and verified to be compliant with the company's C.A.F.E. Practices standards.

Use of Proceeds: Proceeds of the sustainability bond may be allocated to coffee purchases, and related transportation and storage expenditures, from suppliers that are third-party verified as complying with the C.A.F.E. Practices.

2. ACCESS TO ESSENTIAL SERVICES:

- **EXPENDITURES RELATED TO DEVELOPMENT AND OPERATIONS OF FARMER SUPPORT CENTERS AND AGRONOMY RESEARCH AND DEVELOPMENT CENTER. (SDG 9 - Industry, Innovation, and Infrastructure)**

Context: To help suppliers and farmers implement C.A.F.E. Practices and bring farmers into its supply chain, Starbucks operates nine Farmer Support Centers in Costa Rica, Rwanda, Tanzania, Ethiopia, Colombia, Guatemala, China, Mexico and Indonesia. These centers employ agronomists, sustainability and quality experts who train farmers, including those that are not part of the company's supply chain, on coffee growing techniques, including reducing the costs associated with growing, increasing the yields and quality, training farmers on soil management, field-crop production and milling processes, and reducing pest and disease among others.

In 2013, the company bought a coffee farm called Hacienda Alsacia in Costa Rica. It is used as a working farm and open-sourced agronomy research and development center and is aimed to contribute to the work of the Farmer Support Centers in building a resilient coffee supply chain. Additionally, it will fund research to develop work and test new coffee varieties which will be shared with the coffee industry.

Use of proceeds: Proceeds of the sustainability bond may be allocated to capital investments and labor expenses to run current farmer support centers as well as research and development work of Hacienda Alsacia and to set up new farmer support centers planned in the near-term.

- **LOANS MADE TO COFFEE FARMERS THROUGH STARBUCKS' USD 50 MILLION GLOBAL FARMER FUND. (SDG 1 – No Poverty; and SDG 8 - Decent work and economic growth)**

Context: In 2015, Starbucks pledged to provide USD 50 million by 2020 in financing to coffee farmers in collaboration with lending organizations such as Root Capital and the Fairtrade Access Fund. Through its Global Farmer Fund, Starbucks provides loans to coffee growers at reasonable interest rates and maturities, even those who do not supply to the company, in 13 countries including Peru, Nicaragua, Honduras, Guatemala, Rwanda, Tanzania, the Democratic Republic of Congo and Indonesia. As of January 2017, the company impacted approximately 40,000 farmers and provided or committed to provide in total about USD 26.2 million.

Use of proceeds: Proceeds of the sustainability bond may be allocated to new and refinanced loans to coffee farmers directly and through lending organizations that provide funding for trade finance as well as investments in restoration and infrastructure improvements.

3. GREEN BUILDINGS:

- **INVESTMENTS MADE THROUGH THE "STARBUCKS GREENER STORES" INITIATIVE, A FRAMEWORK AND COMMITMENT TO DESIGN, BUILD AND OPERATE 10,000 "GREENER STORES" GLOBALLY BY 2025, TO BE CO-DEVELOPED BY LEADING EXPERTS INCLUDING WORLD WILDLIFE FUND (WWF) AND WILL BE AUDITED AND VERIFIED BY SCS GLOBAL SERVICES. (SDG 11 - Sustainable cities and communities)**

Context: In September 2018, Starbucks Coffee Company announced the "Starbucks Greener Stores" framework and a commitment to design, build and operate 10,000 "Greener Stores" globally by 2025. "Starbucks Greener Stores" framework will be built upon comprehensive performance criteria that help ensure the company's approach to designing, building, and operating its company-owned stores sets a new standard for green retail. Over the next year, Starbucks will develop an accredited program to audit all existing company-operated stores in the U.S. and Canada against the framework criteria, culminating in 10,000 "Greener Stores" globally by 2025, encompassing existing stores, new builds and renovations.

Dimensions of the program that will potentially be funded with proceeds from the bond include –

- Energy Efficiency:* Deployment of technologies and practices that deliver avoided energy savings 25% over baseline and
- Water Stewardship:* Deployment of technologies and practices that deliver water savings 30% over baseline;

- c. *Renewable Energy*: Powering stores with 100% renewable energy through investments in country-specific solar and wind projects;
- d. *Responsible Materials*: Purchases of responsibly- and sustainably-sourced materials, products and packaging; and
- e. *Waste Diversion*: Designing and operating stores to reduce waste.

Use of proceeds: Proceeds of the sustainability bond may be allocated to new and existing projects within the “Starbucks Greener Stores Initiative”, which may include verification and certification expenses, program development costs or specific implementation projects dedicated to:

- **Green Building** (New Stores) - store development and construction costs for new stores that are certified via the Greener Stores program
- **Green Operations** (Existing stores, open at least 12 months) – sustainability initiative costs that align with the Greener Stores certification dimensions and certification program expenses
- **Renewable Energy** – Investments and operating expenses to meet Starbucks 100% renewable energy goal. Expenses related to renewable energy certificate purchases will only be included when sourced from wind, solar and low impact hydroelectric projects that meet the Green-E certification criteria, and where Starbucks has traceability to the specific projects via supplier attestations.

3.2 Project Evaluation and Selection Process

Members of the Starbucks Global Coffee Team and/or Starbucks Energy & Sustainability team will:

- assess and determine project eligibility; and,
- recommend an allocation of proceeds to eligible projects.

The Starbucks Global Coffee Team manages purchases made through its C.A.F.E. Practices programme, runs the farmer support center network, and administers loans to farmers. The Global Coffee Team will then recommend those projects to the Finance department for allocation of the bond proceeds. These recommendations will be made on a weekly basis for coffee purchasing; monthly for loans made through the Global Farmer Fund; and annually for the support to the agronomy centers. The recommendations made by the Global Coffee Team about the loans made will require approval by the company’s Chief Financial Officer, and all others will be reviewed by the Finance team.

The Starbucks Energy & Sustainability team manages integration of sustainability strategies into US/Canadian company- operated stores in partnership with other store development and cross functional teams. The Energy & Sustainability team will partner with Starbucks sourcing and Public Affairs teams to evaluate and recommend projects to the Finance department for allocation of the bond proceeds. These recommendations will be made on an annual basis for Greener Stores and supporting sustainability initiatives. The recommendations made by the Energy & Sustainability team will require approval by the Finance team. The Finance team will track the allocation of proceeds to such projects, including project descriptions.

3.3 Management of Proceeds

An amount equivalent to the proceeds from the sustainability bond will be allocated and managed by Starbucks’ Finance department. The Finance department will internally track quarterly budgets and actual spend for all the eligible project categories. Pending the allocation of the sustainability bond proceeds, the Company will temporarily invest an amount equal to the balance of the proceeds in cash, cash equivalents and/or treasury securities, and will be treated as fungible with the Company’s other sources of liquidity. Payment of principal and interest on the sustainability bond will be made from the Company’s general funds and will not be directly linked to the performance of any eligible projects.

Starbucks expects to spend the majority of the sustainability bond proceeds within 2 years of the date of issuance.

3.4 Reporting

Allocation reporting

Throughout the term of the sustainability bond, until the proceeds have been fully allocated to projects meeting the eligibility criteria, Starbucks commits to publishing annual updates of the allocation of the proceeds, including, subject to confidentiality considerations, additional descriptions of select projects funded with sustainability bond proceeds. The annual allocation will be reported publicly on the Starbucks website at www.starbucks.com. It will also be reported on in the annual Starbucks Global Responsibility Report. These reports will be accompanied by:

- An assertion by management that the net proceeds of this offering were allocated to qualifying eligible projects; and
- A report from a nationally recognized firm registered with the Public Company Accounting Oversight Board in respect of its examination of management's assertion conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

Allocation reporting will be available at the anniversary of this bond's issuance.

Impact reporting

To the extent possible, in addition to its allocation reporting, Starbucks intends to demonstrate the environmental and/or social impacts of the projects to which bond proceeds have been allocated. Where relevant, Starbucks will report on the following Key Performance Indicators (KPIs) in aggregate for sustainability bond projects:

- **Verified Coffee Purchases** – Coffee pounds purchased that are third-party verified according to C.A.F.E. Practices and the percentage of total company coffee purchases that verified purchases represent
- **Number of Farmers** - Number of farmers who participated in the C.A.F.E. Practices during the reporting year
- **Coffee Sourced by Continent** – Coffee pounds purchased under verified C.A.F.E. Practices, disaggregated by continent
- **Loans Distributed** – Amounts loaned through the Global Farmer Fund with tracking against USD50 million commitment
- **Agronomy Centers Opened and Supported** – Number of Farmer Support Centers opened annually and the number of Farmer Support Centers with continued operations
- **Green Building - #Certified Stores** - Number of Stores that are third-party verified according to Greener Stores standards (New)
- **Green Operations - # Certified Stores** – Number of stores that are third-party verified according to Greener Stores standards (Existing, 12 month or more from open date).Detail on initiatives dedicated to development of strategies including energy use reduction, water use reduction and recycling, etc
 - % reduction in energy against our historic design baseline
 - Initiatives: 100% LED, HVAC Efficiency and Controls, High Efficiency Dishwashers, High Efficiency Refrigeration
 - % reduction in water against our historic baseline
 - Initiatives: High efficiency water filtration, High Efficiency plumbing
 - # of Stores with Recycling
 - **Renewable Energy** - % Renewable Energy coverage for company operated retail stores

Finally, Starbucks will publish narrative reporting around the positive sustainability impacts on the coffee industry triggered by engaging farmers around C.A.F.E. Practices, including case studies. Starbucks will additionally detail summary outcomes for selected Greener Stores and supporting initiatives through public reporting and website content.

Appendix 2: Starbucks C.A.F.E. Practices

C.A.F.E. Practices are presented as scorecards (both generic and customized to smallholders) of about 200 indicators that are publicly disclosed, and the company encourages its use by other industry players.⁸ Upon completion of the verification process overseen by SCS Global Services (a third-party environmental, sustainability and food quality certification organization), coffee farmers may receive one of the following statuses:

- **Strategic suppliers** achieve a minimum total score of 80% and comply with the zero tolerance indicators. These suppliers are eligible for a USD 0.05 premium per pound on all green coffee shipped during the first year of achieving the strategic status and for one more year if they demonstrated improvement in their practices. This status is awarded for four years if audited during harvest period and no organizational changes occur.
- **Preferred suppliers** achieve a minimum total score of 60% and comply with the zero tolerance indicators. This status is awarded for three years if audited during harvest period and no organizational changes occur.
- **Verified suppliers** achieve a score of below 60% and comply with the zero tolerance indicators. This status is awarded for two years if audited during harvest period.

C.A.F.E. Practices indicators are tradable, and the status is based on the suppliers' total score, meaning that suppliers can be assigned preferred or strategic status based on the fulfillment of different indicators. The zero-tolerance indicators for verified compliance with C.A.F.E. Practices are minimum expectations rather than best practice. For example, in the environmental dimension, Starbucks requires suppliers not to use pesticides that are listed by the World Health Organization as Type 1A or 1B, or that are banned according to applicable laws. In the social dimension, the C.A.F.E. Practices zero-tolerance indicator on wages and benefits requires that farm owners pay at least minimum wage to all farm workers (whether permanent, contract, or seasonal). The minimum wage in most countries is still below the living wage for that country; therefore, requiring farm owners to pay at least a living wage would be best practice; however C.A.F.E. Practices does at least encourage higher than minimum wages by allocating an extra point to suppliers who pay more than minimum wage.⁹ However, these limitations are addressed by Starbucks' commitment to engage with its suppliers in order to continuously increase their performance according to the C.A.F.E. Practices indicators. To incentivize suppliers to improve their performance, Starbucks pays a one-time premium to those farmers who rank as strategic against the C.A.F.E. Practices scorecards.

Sustainalytics notes that there has been some criticism of C.A.F.E Practices, as there is a perceived conflict of interest in Starbucks' developing its own ethical standards, rather than complying with other industry standards such as Fair Trade or Rainforest Alliance.¹⁰ However, the company notes that, at the time C.A.F.E Practices were developed, there were no third-party standards that addressed the intersecting sustainability challenges of coffee farming, or that would apply to small-scale coffee farmers. Furthermore, the company has demonstrated a high degree of transparency through the public disclosure of the scorecards and verification processes, and the involvement of third-party verification organizations who conduct audits and oversee the verification process. Additionally, Conservation International has conducted a five-year impact assessment report disclosing performance trends under C.A.F.E Practices and reported the information publicly.¹¹

Starbucks has also been criticized for only offering a one-time price premium to its strategic suppliers under C.A.F.E Practices, instead of all suppliers that are C.A.F.E Practices verified. In response, the company emphasizes that C.A.F.E. Practices is not a certification scheme, but rather a continuous improvement programme. Once farmers are verified against C.A.F.E Practices by a third-party auditor, Starbucks works with them to improve their standing to reach preferred, and eventually strategic, status. Suppliers are expected to communicate the implementation of work plans to local Farmer Support Centers and provide progress reports. They can also reach out to Farmer Support Centers for additional

⁸ SCS Global Services, Starbucks C.A.F.E. Practices: <https://www.scsglobal.com/starbucks-cafe-practices>

⁹ The minimum wage is defined as the lowest wage legally permitted by government. The living wage is defined as the lowest wage that would allow the earner to afford adequate shelter, food and the other necessities of life.

¹⁰ In FY 2014, Starbucks was the largest global customer of Fair-Trade coffee (approximately 8.6% of all of Starbucks' coffee purchases). Harvard University, The Economics of Fair Trade: http://scholar.harvard.edu/files/rdragusanu/files/jep_firstdraft_sept10_2013.pdf

¹¹ C.A.F.E.Practices- Results Assessment (Fiscal Years 2011-2012):

www.conservation.org/publications/Documents/2011_2012_Starbucks_CAFE_Practices_Results_Assessment.pdf

assistance to improve their performance. According to internal documents reviewed by Sustainalytics, only a small percentage of current C.A.F.E suppliers rank as verified, compared to a large majority which are strategic or preferred. Furthermore, although only strategic suppliers are awarded price premiums, both preferred and strategic suppliers receive preferential contract terms.

Finally, as noted above, Sustainalytics finds that the standards of the C.A.F.E. Practices are aligned with leading practices in sustainable supply chain management, addressing the environmental and social concerns of coffee growers.

Appendix 3: Green-e Certification Standards and Low-Impact Hydropower

Green-e¹² is a voluntary certification program, developed by the Center for Resource Solutions (CRS), to promote the purchase and use of high-quality renewable electricity. It has a mandatory annual verification process for certified transactions to ensure that the supplied renewable generation meets the following requirements:

- (i) originated from new renewable electricity generation facilities;
- (ii) meets resource-type eligibility screens;
- (iii) contains all environmental attributes of generation;
- (iv) meets and exceeds Scope 2 GHG accounting based on WRI's Greenhouse Gas Protocol Scope 2 Guidance;
- (v) fulfills seller's advertising claims; and
- (vi) not sold more than once, not claimed by multiple end-users, and not counted against relevant electricity mandates.

Low-impact hydropower considered under Green-e eligibility criteria¹² only includes those:

- (i) that are "either not on an impoundment or is generation capacity that was added to an impoundment that existed before the applicable New Date (which include, as defined in Sec III.C, the generator that must have first come online or undergone certain specified changes within the past 15 calendar years with a few exceptions based on the approval by the Green-e Governance Board)", or
- (ii) "a turbine in a pipeline, irrigation canal, or other conduit as long as any energy used to create the flow of water/hydrostatic pressure is primarily for non-energy purposes." Moreover, any incremental output due to efficiency upgrades for hydropower (meeting either criterion above) may be allowed based on the regional standard's validation procedures related to Green-e program.

¹² Green-e Framework for Renewable Energy Certification: <https://www.green-e.org/docs/energy/framework/Green-e%20Framework%20for%20Renewable%20Energy%20Certification.pdf>

Appendix 4: Starbucks Greener Stores Initiative

Starbucks collaborated with the US Green Building Council (USGBC) in 2001 to develop the LEED for Retail program, and used LEED certification for flagship stores, large buildings as well as new company-operated store in 2008, leading to more than 1,500 LEED certified stores in 20 countries. Later, Starbucks committed to build and operate 10,000 “Greener Stores” globally by 2025 while developing a new store verification program, Greener Stores operations framework.

Starbucks’ open-sourced Greener Stores operations framework¹³ is developed in partnership with World Wildlife Fund (WWF) and SCS Global Services to drive innovation, sustainability and efficiencies in its global stores. Greener Stores framework considers performance-based standards related to design and operations of its stores:

(i) **Energy Efficiency and Water Stewardship:** deploying of technologies and practices (including LED lighting, heating, ventilation and air conditioning (HVAC) efficiency and its maintenance, environmental management systems, efficient dishwashers, refrigeration, metered faucets, water filtration optimization and/or low-flow plumbing) to deliver 25% avoided energy and 30% water savings over historic store design practices on a store-portfolio level;

(ii) **Renewable Energy:** procuring 100% renewable energy for stores from country-specific solar, wind, and low-impact hydro power projects;

(iii) **Healthy Environment:** designing and operating stores for comfort and wellbeing of partners and customers, including lighting, noise, air quality and temperature;

(iv) **Responsible Materials:** sourcing store-related sustainable materials and products (such as mercury-free lighting);

(v) **Waste Diversion:** designing and operating stores to reduce waste (through recycling service setup and execution); and

(vi) **Engagement:** promoting culture of sustainability and empowering partners for sustainability-related engagement (such as reusable cup usage).

Starbucks Greener Stores framework/program aims to reduce/avoid energy usage by 25% over baseline and meeting the requirements of ASHRAE 90.1-2013 (Energy Standard for Buildings Except Low-Rise Residential Buildings) and ASHRAE 62.1-2004 (Ventilation for Acceptable Indoor Air Quality) for heating, ventilation, and air conditioning (HVAC) efficiency and thermal comfort. Additionally, the renewable energy procurement under the Starbucks’ program goes beyond LEED ‘Green Power’ credit requirements by procuring renewable energy that is only sourced from eligible wind, solar and low-impact hydro power meeting Green-e certification screening criteria.

Sustainalytics recognizes that Starbucks’ program has included qualitative measures for comfort & wellbeing (indoor environmental quality), use of sustainable materials and products, and store-related waste diversion, thus, offering flexibility in implementation. Nevertheless, Sustainalytics believes that Starbucks, through its specific procurement policies/practices for material sourcing, potential for creation of store portfolio-specific (targeted) waste reduction plan and maintaining a minimum standard of indoor environmental quality, will create environmental and social benefits for its partners and customers.

¹³ Starbucks, Global Stores: <https://www.starbucks.com/responsibility/environment/leed-certified-stores>

Appendix 5: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Starbucks Corporation
---------------------	-----------------------

Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	Starbucks Sustainability Bond Framework
---	---

Review provider's name:	Sustainalytics
--------------------------------	----------------

Completion date of this form:	April 2019
--------------------------------------	------------

Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	
--	--

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs and SBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify):</i> | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The two social categories and a green category eligible for the use of proceeds – (i) Socioeconomic Advancement and Empowerment, (ii) Access to Essential Services, and (iii) Green Buildings – are aligned with those recognized by the Green Bond Principles 2018, the Social Bond Principles 2018, and the Sustainability Bond Guidelines 2018. Overall, the use of proceeds will, in Sustainalytics’ opinion, have positive environmental and social impacts and advance the UN Sustainable Development Goals, specifically 1, 8, 9, 11, and 12.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other <i>(please specify)</i> : |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|--|---|
| <input type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Starbucks Global Coffee Team and/or Energy & Sustainability team will assess and select projects under social and green categories eligible for use of proceeds, followed by approval from the Finance team or the Chief Financial Officer. Sustainalytics considers this line with market practice.

Evaluation and selection

- | | |
|---|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|--|---|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

The proceeds from the sustainability bond will be allocated and managed by Starbucks Finance department. The finance department will internally track quarterly budgets and actual spend for all the eligible project categories. Pending the allocation, the company will temporarily invest an amount equal to the balance of the proceeds in cash, cash equivalents and/or treasury securities. This is in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (<i>please specify</i>): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
|---|---|

- | | |
|--|--|
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>): |

4. REPORTING

Overall comment on section (if applicable):

Starbucks intends to publish annual updates on its website and annual Starbucks Global Responsibility Report, comprising of allocation reporting, and where feasible, impact reporting. The reports will also be accompanied by management assertion that the net proceeds were allocated to eligible projects, and a report by an external auditor on the examination of such assertion. Sustainalytics considers this in line with market best practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Information reported (expected or ex-post):

- | | |
|---|--|
| <input type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input type="checkbox"/> Number of beneficiaries |
| <input type="checkbox"/> Target populations | |
| <input checked="" type="checkbox"/> Other ESG indicators (please specify): coffee purchased (in pounds; in percentage of total coffee purchases by the company; and by continent) under | |

C.A.F.E Practices, (annual) number of farmers who participated in C.A.F.E. Practices, amounts loaned through Global Farmer Fund (against USD 50million commitment), number of Farmer Support Centers (newly opened and with continued operations), number of stores certified to Greener Stores standards, and details on initiatives linked to renewable energy (% coverage for stores), energy use reduction (%), water use reduction (%), and number of stores with recycling.

Means of Disclosure

- | | |
|---|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): corporate website and Starbucks Global Responsibility Report. |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. Consultant Review: An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental and social sustainability or other aspects of the issuance of a Sustainability Bond, such as the establishment/review of an issuer's Sustainability Bond framework. "Second Party Opinions" may fall into this category.
- ii. Verification: An issuer can have its Sustainability Bond, associated Sustainability Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally and socially sustainable features of underlying assets may be termed verification and may reference external criteria.
- iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against an external green and social assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.
- iv. Rating: An issuer can have its Sustainability Bond or associated Sustainability Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Sustainability Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Sustainability Bond frameworks / programmes.

Disclaimer

© Sustainalytics 2019. All rights reserved.

The intellectual property rights to this Second-Party Opinion (the “Opinion”) are vested exclusively in Sustainalytics. Unless otherwise expressly agreed in writing by Sustainalytics, no part of this Opinion may be reproduced, disseminated, comingled, used to create derivative works, furnished in any manner, made available to third parties or published, parts hereof or the information contained herein in any form or in any manner, be it electronically, mechanically, through photocopies or recordings, nor publicly released without the “Sustainability Bond Framework” in conjunction with which this Opinion has been developed.

The Opinion was drawn up with the aim to provide objective information on why the analyzed bond is considered sustainable and responsible, and is intended for investors in general, and not for a specific investor in particular. Consequently, this Opinion is for information purposes only and Sustainalytics will not accept any form of liability for the substance of the opinion and/or any liability for damage arising from the use of this Opinion and/or the information provided in it.

As the Opinion is based on information made available by the client, the information is provided “as is” and, therefore Sustainalytics does not warrant that the information presented in this Opinion is complete, accurate or up to date, nor assumes any responsibility for errors or omissions. Any reference to third party names is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner.

Nothing contained in this Opinion shall be construed as to make a representation or warranty, express or implied, regarding the advisability to invest in or include companies in investable universes and/or portfolios. Furthermore, nothing contained in this Opinion shall be construed as an investment advice (as defined in the applicable jurisdiction), nor be interpreted and construed as an assessment of the economic performance and credit worthiness of the bond, nor to have focused on the effective allocation of the funds’ use of proceeds.

The client is fully responsible for certifying and ensuring its commitments’ compliance, implementation and monitoring.

Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that support investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world’s leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics “Best SRI or Green Bond Research or Ratings Firm” and in 2018 and 2019, named Sustainalytics the “Most Impressive Second Party Opinion Provider. The firm was recognized as the “Largest External Reviewer” by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the “Largest Approved Verifier for Certified Climate Bonds” by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit www.sustainalytics.com

Or contact us info@sustainalytics.com

