

Tuesday, October 21 2:30 pm-4:00 pm

604 Corporate Counsel's Role in Taking Your Company Green

Kevin J. Fay

Counsel PACCAR, Inc.

Jeffrey S. Lesk

Partner
Nixon Peabody LLP

Ruth H. Silman

Partner
Nixon Peabody LLP

Julie Wade

Director, Corporate Counsel Starbucks Coffee Company

Faculty Biographies

Kevin J. Fay

Kevin J. Fay is counsel at PACCAR Inc, a diversified, multinational, Fortune-500 company. Mr. Fay has a varied practice at PACCAR. His corporate and securities work includes offerings and compliance, with the preparation of debt and equity registration statements, periodic reports, and proxy statements for PACCAR and its subsidiaries listed on NASDAQ, NYSE, and London Stock Exchanges. Commercial matters include representation as lender's counsel for captive finance subsidiaries in US and Europe. He heads PACCAR's real estate practice, handling purchases, sales and construction of industrial, commercial and office properties.

Prior to rejoining PACCAR, he was at Microsoft Corporation as senior attorney and assistant secretary, supporting international sales, services and marketing, and subsequently managing corporate matters for Microsoft's international subsidiary structure. Before Microsoft he served as counsel and assistant secretary at PACCAR, and was in private practice at law firms in New York and Seattle.

Mr. Fay also serves on the boards of the northwest chapter of the Society of Corporate Secretaries and Governance Professionals and the Corporate Counsel Section of the Washington State Bar Association. He is a frequent speaker at their events. When not practicing law, he's the principal clarinetist of the Northwest Symphony Orchestra and the Washington Wind Symphony.

Mr. Fay received his BA from the University of Washington, his JD from the State University of New York at Buffalo, and his LLM from Harvard Law School.

Jeffrey S. Lesk

Jeffrey S. Lesk is a partner with Nixon Peabody. Mr. Lesk concentrates his practice in matters relating to real estate syndication and securities, real estate acquisition, development, finance, government-assisted housing, and community development. His practice has included structuring and implementing all aspects of public and private investment programs utilizing the low-income housing tax credit and other federal, state, and local incentives, with an emphasis on corporate investment. He has most recently concentrated on applying sustainable development techniques to affordable housing and community development transactions; he co-developed and co-chaired (with Enterprise Community Partners) the first national conference on this topic, which is now an annual symposium.

Previously, Mr. Lesk was a member of the firm of Lane and Edson, P.C., and later, of counsel to Kelley Drye & Warren. He has served as an attorney at the US Department of

Housing and Urban Development, working with the Office of General Counsel and the Urban Development Action Grant Program.

Mr. Lesk has lectured and written on various housing, community development and environmental topics. He is the community economic development editor of the *ABA Journal of Affordable Housing & Community Development Law* and is on the advisory board of the Housing and Development Reporter. Mr. Lesk also served on the advisory board of the National Building Museum for their exhibit, "*Affordable Housing – Designing an American Asset*," which is now on a national tour.

Mr. Lesk earned his BA from Stanford University and JD from the University of Arizona College of Law.

Ruth H. Silman

Ruth H. Silman is a partner with Nixon Peabody. Ms. Silman concentrates her practice on complex environmental and land use matters. Ms. Silman's extensive environmental experience includes addressing air quality, hazardous waste assessment and remediation, brownfields redevelopment, wetlands protection, stormwater, wastewater, septic system, and water quality issues at the federal, state, and local level. She advises clients regarding environmental management systems and environmental audits. Ms. Silman provides support to real estate transactions, including due diligence and advice regarding appropriate contractual protections and environmental insurance. She is involved in renewable energy efforts, including representing wind power developers. Her experience spans various subjects including the development, permitting, construction, and operation of renewable energy facilities.

Ms. Silman previously worked for the Massachusetts' office of the attorney general in the Environmental Protection Division and analyzed the legality of potential policies under the federal Clean Air Act for the Northeast States for Coordinated Air Use Management (NESCAUM).

Ms. Silman is a member of the Boston Bar Association, the Women's Bar Association of Massachusetts, the ABA, the Environmental Business Council of New England, and the Air and Waste Management Association. In her community, Ms. Silman serves on the board of the Virginia Thurston Healing Garden, which provides alternate therapies to breast cancer patients and their families. Ms. Silman has been recognized as a "New England Super Lawyer" in *Energy & Environmental* based on a peer-review survey by *Boston* magazine.

Ms. Silman earned her BA from Cornell University and her JD from Boston University School of Law.

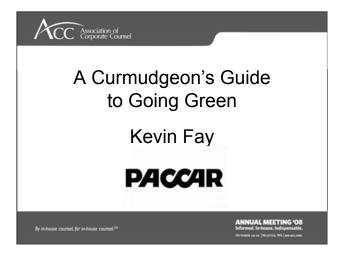
Julie Wade

Julie Wade has practiced in the Starbucks Law & Corporate Affairs department for as a commercial attorney, focusing on commercial transactions, advising with regard to the development and management of the Starbucks global card program and working on the development and management of various corporate social responsibility (now called "global responsibility") initiatives and programs. She has advised the Starbucks global responsibility team over several years with regard to the development of ethical sourcing programs, including Starbucks coffee sourcing program known as "C.A.F.E. Practices" (Coffee and Farmer Equity), its cocoa sourcing program known as "cocoa practices" and its manufactured goods and services sourcing program known as the "supplier social responsibility" program. She has participated as a member of Starbucks environmental footprint committee as well as its green building team. In addition, she has advised the marketing team at Starbucks as to the development and introduction of a stored value card program in stores in the US and Canada and, more recently, other parts of the world.

Prior to Starbucks, Ms. Wade served as general counsel at the Seattle Housing Authority ("SHA") where she advised as to major redevelopment of public housing communities under the federal HOPE VI program.

Ms. Wade has spoken at various conferences sponsored by the Council of Large Public Housing Authorities, the Housing Development Law Institute, and the ABA Forum on Housing and Community Development Law.

Ms. Wade earned her BA, cum laude, from Harvard University and her JD from Southern Methodist University School of Law.



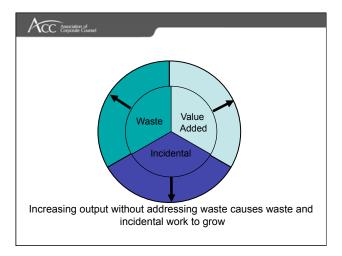
Why "go Green"?

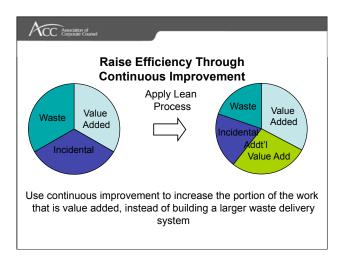
• Altruism

• Marketing

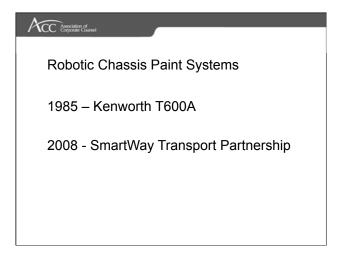
• Profit!

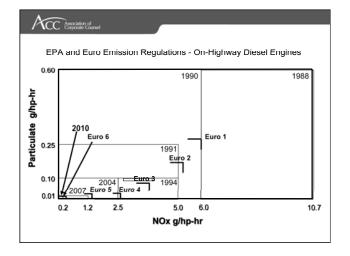
Deliver the most value
from your customer's perspective
while consuming the fewest
resources

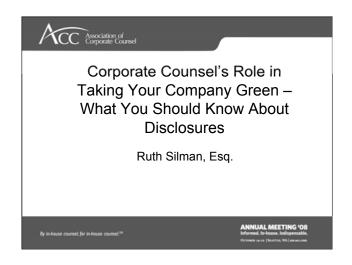


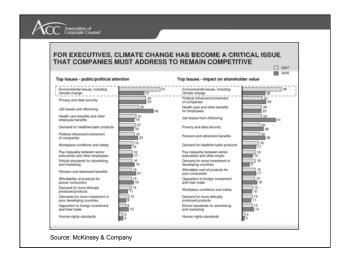


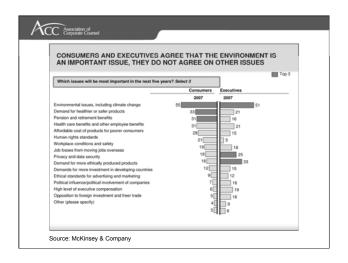
What Is "Waste"? "Any activity that does not physically change the output bringing it closer to the form desired by the customer." Example: Assembling a component is value-added. Moving components around the production floor is non-value added.

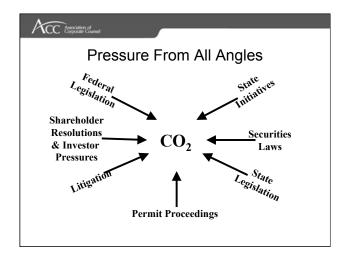














SEC Disclosure Requirements

- Regulation S-K
 - Item 101: Disclosure of Capital Expenditures
 - Disclose any material effect that environmental compliance costs associated with enacted or adopted laws may have on earnings, capital expenditure and competitive position
 - Materiality concerns whether environmental liability may affect the company's financial position



SEC Disclosure Requirements

- Regulation S-K
 - Item 101: Disclosure of Capital Expenditures
 - Material effect one that may "substantially alter the total mix of information" available to investors
 - Project the costs of environmental compliance for 2 years, or longer



SEC Disclosure Requirements

- Regulation S-K
 - Item 103: Disclosure of Legal Proceedings
 - Disclosure of any material pending administrative or judicial proceedings to which the company is, or may become, a party
 - Even if not a party, could resolution of the proceeding materially affect capital expenditures, earnings or competitive position?



SEC Disclosure Requirements

- · Regulation S-K continued
 - Item 303: Management Discussion & Analysis (MD&A)
 - Description of any "known trends ... events or uncertainties" that are reasonably likely to affect the company's liquidity or capital expenditures
 - Allows investors to see the company "through the eyes of management"



SEC Disclosure Requirements

- · Regulation S-K continued
 - Item 303: Management Discussion & Analysis (MD&A)
 - First, assume trend/uncertainty is reasonably likely to occur
 - Second, disclose if trend/uncertainty will have a material effect on financial condition or operations



Petition to SEC – September 2007

- CERES, Environmental Defense, investors, NY Attorney General, major asset management firms (\$1.5 trillion in assets under management)
- Securities filings should include climaterelated info – GHG regulations and climate change are a "material risk"



Petition to SEC - September 2007

- Requests that SEC clarify that existing law requires disclosure of material climate risks
- Supplement filed June 12, 2008
- No response to date



Letter to SEC - September 2007

- CERES, Environmental Defense, investors, NY Attorney General, major asset management firms (\$1.5 trillion in assets under management)
- · Letter to Division of Corporate Finance
- Requests immediate examination of adequacy of disclosures concerning climate risk when reviewing 10-Ks and 10-Qs due to inconsistencies
- Supplement filed June 12, 2008
- · No response to date



State Securities Laws

- New York Attorney General Cuomo subpoenaed five energy companies (AES, Dominion, Dynegy, Peabody Energy, Xcel)
 - New York's Common Retirement Fund owns significant shares in those companies
 - Adequacy of disclosures of potential economic risks of CO2 emissions
- How would you respond?



State Securities Laws

- Responses
 - AES 10-K dated May 8, 2008: "The Company is responding to the subpoena."
 - AES 10Q dated August 7, 2008: "The Company has produced documents and information in response to the subpoena."



State Securities Laws

- Responses
 - Dynegy 10-K dated May 8, 2008: "We are reviewing the subpoena and discussing its contents with the New York Attorney General's office in anticipation of our responding as appropriate."
 - Dynegy 10Q dated August 7, 2008: "Since receiving the subpoena, Dynegy has worked with the New York Attorney General's office to respond as appropriate."



State Securities Laws

- Responses
 - Peabody Energy 10Q dated May 9, 2008:
 "The Company currently has no electricity generating capacity in place. ... The Company believes that it has made full and proper disclosure of these potential risks."
 - Peabody Energy 10Q dated August 7, 2008:
 Ditto



State Securities Laws

- Responses
 - Xcel Energy 10Q dated May 2, 2008:
 "Xcel Energy believes it has fully disclosed these risks, to the extent they can be ascertained, and such disclosures belie the concerns expressed by the NYAG."
 - Xcel Energy 10Q dated August 1, 2008:
 Xcel Energy and the NYAG have reached a settlement in principle regarding this matter and are in the process of finalizing the settlement document."



Voluntary Disclosure

- Annual Report, Corporate Social Responsibility Report, Environmental Report
- Examples
 - Investor Network on Climate Risk www.incr.com
 - Carbon Disclosure Project www.cdproject.net
 - Global Reporting Initiative www.globalreporting.org
 - Climate Disclosure Standards Board (World Economic Forum) – www.weforum.org



Voluntary Disclosure

- Ceres-ACCA Sustainability Reporting Awards
 - Ford Motor Company (2008)
 - The Timberland Company (2008)



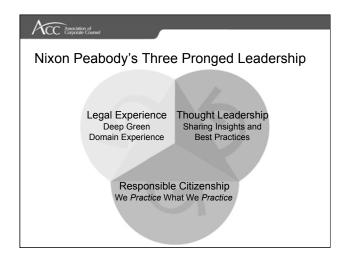
Shareholder Resolutions

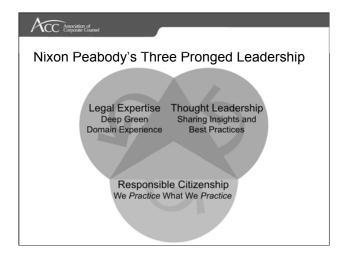
- In 2007, record 42 climate-related shareholder resolutions filed with the SEC (3 years ago, only 20 such resolutions)
 - Pension funds, labor, foundation, religious and other institutional shareholders
 - Seek greater disclosure on responses and strategies to climate-related business trends
 - Represent \$200 billion in assets

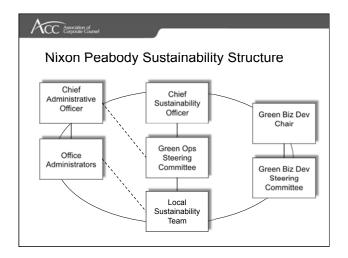


Shareholder Resolutions=

- 15 companies took positive action on climate change (ConocoPhillips, Wells Fargo, Hartford Insurance)
- 7 of the 42 resolutions established specific GHG reduction targets for operations and products









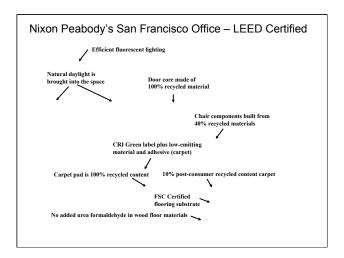
Growing a Green Firm

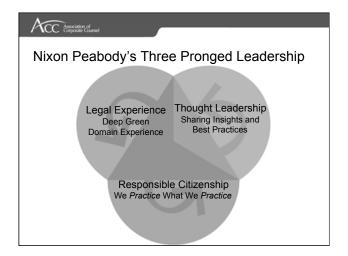
- · Priority Areas
 - Construction
 - Purchasing
 - Paper Reduction
 - Waste Reduction & Recycling
 - Travel & Commuting
 - Energy Conservation
 - Education & Outreach



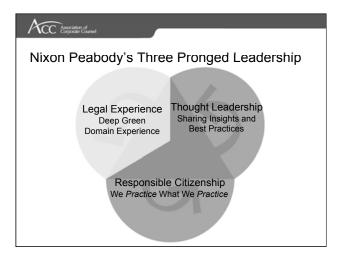
Growing a Green Firm

- · Standards and Guidelines
 - ABA/EPA Law Office Climate Challenge
 - Bar Association
 Guidelines











Green Business Development and Client Service

Examples of Relevant Legal Disciplines

- Cleantech
- Renewable Energy
- Green Building & Sustainable Design
- Environmental & Regulatory



Green Business Development and Client Service

Examples of Relevant Legal Disciplines

- Real Estate, Zoning, Land Use
- Climate Change
- Public and Project Finance
- Tax Credits

Julie Wade, Starbucks Law and Corporate Affairs October 21, 2008

http://www.starbucks.com/aboutus/csrreport/Starbucks_CSR_FY2007.pdf

Why does Starbucks place an emphasis on implementing responsible / sustainable practices?

Guiding Principles

Good for Business

Starbucks Global Responsibility: Our Commitment

- · Mission Statement
 - To establish Starbucks as the premier purveyor of the finest coffee in the world while maintaining our uncompromising principles as we grow.
- · Guiding Principles
 - Provide a great work environment and treat each other with respect and dignity.
 - Embrace diversity as an essential component in the way we do business
 - Apply the highest standards of excellence to the purchasing, roasting and fresh delivery of our coffee.
 - Develop enthusiastically satisfied customers all of the time.
 - Contribute positively to our communities and our environment.
 - Recognize that profitability is essential to our future success.

The Business Case for Being a Responsible Company

- It helps us attract and retain our partners (employees)
- Helps us to build and maintain a sustainable supply chain
- It strengthens our relationships with farmers and their communities
- Reduces operating costs
- · It increases customer loyalty
- · Gives us a license to operate in communities

How Lawyers at Starbucks Are Involved with Sustainability Issues

- Advise with regard to ethical sourcing programs on policies and incorporation of those policies into the documentation of the commercial transactions with Suppliers
- · Review and edit Annual CSR Report
- Serve on "Environmental Footprint" cross-functional team and advise as to green building issues
- · Review and revise utility contracts with green power suppliers
- Draft loan agreements w/ NGOs that provide access to credit in coffee and cocoa sectors
- Marketing Review FTC / "Greenwashing" issues

What Do We Mean by Ethical Sourcing/Trading?

- · Treating our suppliers with respect and dignity
- · Paying equitable prices for high-quality products
- · Protecting the environment
- · Rewarding suppliers who produce our products sustainably

How Lawyers Contribute to Ethical Sourcing Programs at Starbucks

- Advise and participate on cross-functional teams made up of leaders from Supply Chain and Global Responsibility to develop program
- · Socialize program internally and externally
- Develop contract documents, Supplier Handbook, etc. that incorporate requirements into purchase agreements
- Develop contracts with the various service providers that will help implement the program with suppliers, e.g., companies that will audit, certify, verify, train on our behalf
- Participate in meetings with Suppliers to explain program and understand realities that may limit Supplier's ability to comply
- · Trouble shoot
- Tweak and refine the standards over the years so that they continue to be relevant, realistic and practical

Our Coffee: Responsibly Grown and Ethically Traded

Coffee and Farmer Equity (C.A.F.E.) Practices

Ensuring our coffee is environmentally, socially and economically sustainable.

Requiring Economic Transparency

99% of our coffee contracts included an economic transparency clause. Of that, 95% had economic transparency requirements to the farm level.

Social Development

Contributed \$1.5 million to 50 projects in coffee-growing communities.

Access to Credit

Provided \$10.5 million in loan funds.

Product Quality- Re	quired				P	
General Conditions	PQ-1	Green Preparation- Prerequisite		P	0	S
	PQ-2	Cup Quality- Prerequisite		Processors	8	등
Economic Accounta	bility-Requ	uired	3	es	SS	D
ncentives for	EA-IS1	Demonstration of Financial Transparency	Farmers	S	Process/Farm	Suppliers
Sustainability	EA-IS2	Equity of Financial Reward	S	25		
Financial Viability	EA-FV1	Financial Viability			3	
Social Responsibilit		Total Possible Section Po	ints-4			
Minimum for Prefer		Minimum for Strategic = 80%	40	40	40	40
Hiring Practices and Employment Policies	SR-HP1	Wages and Benefits*	7	7	7	7
	SR-HP2	Freedom of Association/Collective Bargaining	4	4	4	4
	SR-HP3	Hours of Work	4	4	4	4
	SR-HP4	Child Labor/Discrimination/Forced Labor*	7	7	7	7
Worker Conditions	SR-WC1	Access to Housing, Water and Sanitary Facilities	6	6	6	6
	SR-WC2	Access to Education	4	4	4	. 4
	SR-WC3	Access to Medical Care	4	4	4	4
	SR-WC4	Worker Safety and Training	4	4	4	4
Coffee Growing- En			ints- 4	10		
Minimum for Prefer	red = 60%	Minimum for Strategic = 80%	40		40	40
Protecting Water Resources	CG-WR1	Watercourse Protection	5		5	5
	CG-WR2	Water Quality Protection	4		4	4
	CG-WR3	Water Resources and Irrigation	3		3	3
Protecting Soil	CG-SR1	Controlling Surface Erosion	7		7	7
Resources	CG-SR2	Maintaining Soil Productivity	5		5	- 5
Conserving Biodiversity	CG-CB1	Maintaining Coffee Shade Canopy	4		4	4
	CG-CB2	Protecting Wildlife	2		2	2
	CG-CB3	Conservation Areas	2		2	2
Environmental Management and	CG-EM1	Ecological Pest and Disease Control	5		5	5
Monitoring	CG-EM2	Farm Management and Monitoring	3		3	3
Coffee Processing-		ntal Leadership Total Possible Section Po		0		
Minimum for Prefer		Minimum for Strategic = 80%		20	20	20
		Wet Milling		16	16	16
Water Conservation	CP-WC1	Minimizing Water Consumption		5	4	4
	CP-WC2	Reducing Wastewater Impacts		5	4	4
Waste Management		Waste Management Operations/Beneficial Reuse		3	4	4
Energy Use	CP-EC1	Energy Conservation/Impacts		3	4	4
inergy ose	OI -LOI	Dry Milling		4	4	4
Waste Management	CP-WM2	Waste Management Operations/Beneficial Reuse		2	2	2
Energy Use	CP-VVIVIZ	Energy Conservation/Impacts		2	2	2
Grand Total Points		Lifelyy our iservation in inpacts	80	60	100	10

Sample C.A.F.E Practices Scorecard

← Minimum wage is a difficult issue in the coffee sector

This is a summary of a 9 page scorecard that goes into detail with regard to each of the topics mentioned.

Starbucks and Conservation International

Encouraging Sustainable Coffee-Growing Practices Through Long-Term Partnership

We began working with Conservation International (CI) in 1998 to encourage environmentally sound coffee-growing practices and to improve farmers' livelihoods

This laid the groundwork for Coffee and Farmer Equity (C.A.F.E.) Practices.

At our Shareholders meeting in March 2008, we announced a new five-year commitment with CI to tackle climate change, supporting coffee farmers and communities who are preserving forests.

Supplier Social Responsibility Starbucks Procurement & Category Shared Responsibility Factory

Standards for Manufactured Goods & Services

Management Systems

- Transparency
- Access to facility

Compensation

- Wages
- Regular and overtime work hours
- Pay practices
- Benefits (including leave) and deductions

Labor Practices

- · Minimum age and child/young labor
- Forced labor
- Migrant labor
- Contract labor
- Freedom of association
- · Environment, health and safe

Human Resource Policies

- Nondiscrimination policy
- Anti-harassment and abuse policy
- Grievance procedures
- · Discipline and termination procedures

Standards Documents

Document	Purpose
Code of Conduct	Overarching business standards and practices that produce social, environmental, and economic benefits
Standards for Manufacturing Goods and Services	Manufactured goods and services guidelines that incorporate applicable laws, codes and regulations
Zero Tolerance Standards	Non-negotiable areas for all factories that are required by Starbucks to have an assessment

China Factory Visit Supplier Social Responsibility ("SSR") Team Phoenix Factory Woodmax & PMI, Dong Guan, China

What Do We Mean by Environmental Impact?

- We aspire to have stores that are powered by renewable energy
- We aspire to build only green stores
- We aspire to a time when our cups create no waste

Starbucks Coffee Company

Why is Starbucks Promoting Sustainable Building Practices?

One of our guiding principles: - Contributing to our communities and our environment.

"It's the right thing to do." Howard Schultz

Will reduce store operating costs and certain sustainable strategies will save initial store construction cost

Starbucks Coffee Company

1st LEED-CI Gold Store 2006

Hillsboro, OR

First LEED certified store of its kind on the planet

Starbucks Coffee Company



Equipmental Managers in Our Store Design

- Cabinetry made from 90% post-industrial material, with no added formaldehyde
- 2) Efficient light that use less energy. Use of Green Power, i.e., renewable power is equal to 50% of the energy consumption. Our power comes from a Green certified utility program.
- Paints with lower amounts of violatile organic chemicals
- Eco-Terr® flooring tiles made from 70% postconsumer recycled content, 10% post-industrial recycled content.
- Store designed to capture available natural daylight.

Starbucks has been a member of the U.S. Green Building Council (USGBC) since 2000 and has played a leading role on the Retail Development Committee of the U.S. GBC to develop a LEED scorecard for retail building standards.

Stucco/Wood &
Paperstone
or
Fiber Cement/Wood &
Paperstone

Sustainability is a journey, not a destination.