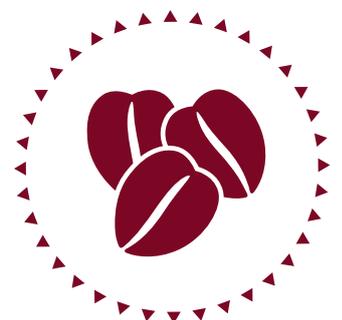


# Modern Slavery Statement 2018/19



## Foreword

The people who work in our organisation, the people who produce, farm and develop our products, and the people who buy them have helped to make Costa Coffee a globally recognised brand. This year Costa Coffee was named the UK's Favourite Coffee Shop for the ninth consecutive year and was also named the UK's most ethical coffee shop<sup>1</sup>. People are at the heart of what we do at Costa Coffee, and we take the responsibility for eradicating modern slavery from our business very seriously.

We are pleased to be able to report under the Modern Slavery Act. This statement aims to present the different elements of modern slavery risk which could potentially be involved in our operations, what we are doing to mitigate those risks, and what our priorities are for 2019/2020.

Costa Coffee has a zero-tolerance policy on modern slavery. This statement covers our last financial year ended 28th February 2019. On 3rd January 2019 Costa Coffee was sold by Whitbread plc to a wholly owned subsidiary of The Coca Cola Company. As a result, most of our Modern Slavery Statement for this year refers to the work we did under Whitbread's responsible sourcing system and our previous years' work have been reported under Whitbread's published Modern Slavery Statements.

Under Costa Coffee's new ownership, we have been planning how we can build on the work we have done to date under our previous parent company, Whitbread plc, and how we best evolve our own Costa Coffee responsible sourcing and human rights programme over the coming year. We are fully committed to working collaboratively with our suppliers and our stakeholder network, learning from our experiences and continually developing and improving our programme to tackle the issue of modern slavery.

This statement covers the period from 3rd March 2018 – 28th February 2019 and has been approved by the Board of Costa Coffee.



Dominic Paul  
CEO Costa Limited  
March 2019

<sup>1</sup>With over 2,380 coffee shops in the UK and more than 1,300 in 31 international markets we are the fastest growing coffee shop business in the UK and are proud to be the UK's favourite coffee shop, having been awarded "Best Branded Coffee Shop Chain in the UK and Ireland" by Allegra Strategies for eight years running (2010, 2011, 2012, 2013, 2014, 2015, 2016 & 2017). See [press release](#).

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## 1. Our business and supply chain structure

Costa Coffee is the UK's favourite coffee shop with over 2,600 coffee shops and over 8,200 Costa Express machines in the UK. Costa has over 1,400 stores in 31 international markets and over 1000 Costa Express machines in seven international markets. Some stores are owned, some are franchised, and some are in joint ventures.

We purchase our goods and services from over a thousand direct suppliers. These range from suppliers of agricultural commodities such as our green coffee, manufacturers of finished product, food processors, construction contractors and providers of services. They are largely based in the UK, supported by a complex, global supply chain. Costa Coffee's Procurement function used to sit as a centralised function within Whitbread. Since the sale of Costa Coffee, Costa has set up its own Procurement function. Procurement is now split into food and beverage, and goods not for resale. The latter includes the equipment, furniture and consumables in our stores, IT and services such as waste management and logistics. Costa Express manages its own procurement separately.

Procurement in our international businesses is managed primarily by our local teams or franchise partners, with brand-specific products such as our coffee beans and takeaway cups being procured by our central teams in the UK.

## 2. How we work on modern slavery

As a retail company, there are a number of ways in which our business could be impacted by modern slavery and we have identified the following three risk areas within our business.

### Our risk areas

- Our supply chain
- Our team members
- Our customers

Following our move from Whitbread we have worked to make sure we have the right governance processes in place to manage this risk and have set up a Human Rights Working Group with representatives across our Procurement, HR, Sustainability, Legal and Safety and Security. This group, who will meet quarterly, will build on our work to date to identify and investigate the risks of modern slavery and set our plans going forward under The Coca Cola Company.

### 3. Work we are doing to manage risk

#### 3.1 In our supply chain

Whitbread's responsible sourcing programme conducted a risk-mapping exercise in 2016/17 to understand where the highest risk of modern slavery was across Whitbread Group's direct suppliers. Work has started with suppliers to tackle this risk, supported by a number of procedures, tools and policies that are laid out below. We are also reviewing how we better drive transparency in our supply chain. Our Roastery is already a "supplier member" of SEDEX and we intend to review enhancing our membership this year to provide more robust end-to-end ethical supply chain management.

#### Policies

Our **Responsible Sourcing Policy** outlines the standards we require of all our direct suppliers. Our policy is aligned with the International Labour Organisation (ILO) convention and the UN Guiding Principles on Business and Human Rights. Specifically, with regard to modern slavery, it states that there will be no:

- Trafficked individuals working in any part of the supply chain
- Forced, bonded, indentured or involuntary prison labour
- Payment of recruitment fees on behalf of the worker

Our internal supplier data management system allows us to record our suppliers' commitment to work towards the standards outlined in this policy and measure their performance through questionnaires, supporting evidence and verification.

#### Risk assessments

As mentioned above, as part of the Whitbread responsible sourcing programme a risk-mapping exercise was run to identify which products, services and commodities were at most risk of modern slavery occurring. The results of the analysis identified that the majority of risk lies in the lower tiers of our supply chain, often a number of tiers away from our direct control. This meant that a collaborative approach, working with our suppliers to manage the risks, was crucial. Last year, work continued to address this risk by working through a defined due diligence process managed by the Whitbread Head of Responsible Sourcing.

As part of the Whitbread responsible sourcing programme, work was carried out with independent auditors to conduct SMETA (Sedex Members Ethical Trade Audit) audits for suppliers recognised as potentially high or medium risk. These audits assessed compliance against our Responsible Sourcing Policy using the SMETA guidelines for best practice. They involved a full supplier site visit, with policy and employment practice reviews and a representative sample of worker interviews. Wherever issues were uncovered through these audits, work was carried out with suppliers to re-mediate areas of non-compliance to clearly defined and agreed time-frames.

Building on our risk assessment work to date, this year we will run another risk assessment covering the suppliers that Costa Coffee exclusively work with to review the high-risk areas within our supply chain. We look forward to reporting on updates following this review in next year's report.

### Technical training

Over the past two years, under the Whitbread responsible sourcing programme, technical training has been provided to give a high level 'temperature check' of our suppliers' ethical performance. We will review training for our Technical and Procurement teams over the next year as part of developing our Costa Coffee responsible sourcing and human rights programme.

### Sustainability Certifications

Within our supply chain we purchase some of our products from externally certified sources, under which modern slavery is forbidden in order to be awarded certification. This includes our coffee, which since 2008 has all come from Rainforest Alliance certified farms. All of the cocoa used in our hot chocolate is also Rainforest Alliance certified. We continue to work closely with Rainforest Alliance to ensure that the certification scheme proactively addresses the risks of modern slavery occurring.

### 3.2 Team members

We have approximately 22,000 team members working across Costa Coffee globally that are directly employed by Costa Group companies. We recognise that ensuring these people are treated fairly, are empowered to develop their skills and fulfil their potential is what allows us to continue delivering high standards for our customers every day.

Having direct control over how the people working in our business are employed reduces the risk that an employee might be a victim of modern slavery. Listed below are a number of policies and procedures in place to mitigate against this risk.

#### Policies

**Human Trafficking Policy** – Outlines what human trafficking is, the types of activities to look out for associated with human trafficking and guidance about what our employees need to do if they have a suspicion of human trafficking within the business

**Speaking Out Policy** – Outlines the process we follow when our employees raise a concern about wrongdoing, danger or breach of Costa Coffee's Code of Conduct, or criminal activity such as human trafficking. The policy ensures that concerns raised are dealt with without fear of reprisal, can be raised anonymously and will be investigated in line with a robust and transparent procedure. Any such concern may be raised internally, or through our independent and confidential Speaking Out Helpline which is run through Hospitality Action, our employee assistance provider.

**Grievance Policy** – Supports and provides guidance to employees and managers regarding any concerns raised by an employee in relation to their work. This process encourages concerns to be raised informally in the first instance to encourage an open and honest culture. However, it also outlines the formal process in the event that concerns raised cannot be resolved through the informal route, or in more serious cases where it is appropriate to deal with matters formally at the outset. As such, the Grievance Policy provides clear guidelines on how individuals can raise their concerns, along with what will happen at that point, and the potential outcomes of any investigation into the issues raised. Individuals are also welcome to have union representation during any grievance process.

**Equal Opportunities Policy** – Outlines our active commitment to providing equal opportunities and embracing diversity at Costa Coffee. This policy also clearly explains what individuals can do in the event they do not feel they are being treated fairly or equally, and as such, refers to the Grievance Policy.

**Right to Work** – This policy reflects Costa Coffee’s commitment to recruit talented people, balance our Global People Principles and ensure legal compliance. The policy covers legislation, what checks should be carried out, what happens when documents expire and how Costa Coffee will avoid discrimination during document checks. Costa Coffee will not employ anyone who cannot demonstrate their legal right to work. Checks are carried out on all team members to ensure the documents provided are genuine and fit for purpose, in line with legislation. Managers also have access to our Employee Relations help-desk for further support and guidance.

**Code of Conduct** – This document outlines the way we do things at Costa Coffee and is provided to all employees upon joining. All employees are required to read the code and confirm annually that they are familiar with its contents. It signposts to useful and relevant policies including our Speaking Out, Grievance and Equal Opportunities policies, ensuring our employees have an ongoing awareness of the policies Costa Coffee has in place to support them. It also explains our Global People Principles which sets out how we intend to do business everywhere.

### **Implementation tools**

Performance of Right to Work checks are formally reported as part of our internal operational performance management and auditing processes. Our Speaking Out and Grievance Policies are supported by internal processes for confidential reporting which are reported to our HR Senior Leadership Team.

### **Training**

Under the Whitbread responsible sourcing programme, training sessions were run with our HR and Employee Relations teams to raise awareness about modern slavery and how this can affect team members. We are also rolling out modern slavery training in e-learning format with our team at the Costa Roastery to ensure that team members can spot signs of modern slavery. We are putting in place plans to review the training opportunities available to best raise awareness about the risk of modern slavery in the business in the coming year.

### **3.3 Customers**

We take the potential issue of modern slavery happening in our stores very seriously. Whilst we recognise that this is a risk which we cannot always directly control, there are some actions we can take to make sure that our own team members are able to spot the signs of modern slavery and are empowered to act on any suspicions quickly and effectively. We are reviewing this area to better understand how modern slavery in our customer base may manifest itself and how we can equip our teams with the support tools needed to report this.

## 4. How we will measure our performance

Under the Whitbread annual performance review, progress was measured against the following indicators:

- Right to work check reports
- Team member training
- Number of suppliers on-boarded to our responsible sourcing due diligence system
- Development and progress of action plans for high risk suppliers
- Number of non-compliances identified and re-mediated through supplier audits

Some of these areas have been updated. For example, right to work check reports were removed as a performance indicator because we introduced an automated system that completes an online check, meaning we should always be compliant on right to work checks. This year we plan to develop new key performance indicators, which will support our responsible sourcing and human rights programme at Costa Coffee. A top-level view of the types of key performance indicators we will look to use is provided in the table below.

Example Area	Example KPI
<b>Increasing awareness</b>	<ul style="list-style-type: none"> <li>• Events and activities (including training) within our business</li> <li>• Events and activities in our supply chains</li> </ul>
<b>Due diligence in our supply chain</b>	<ul style="list-style-type: none"> <li>• Audit and investigation</li> <li>• Number of non-compliances identified and re-mediated through audit</li> </ul>
<b>Partnerships and Collaboration</b>	<ul style="list-style-type: none"> <li>• Participation in industry events</li> <li>• Activities with NGOs and other organisations</li> </ul>

### 5. Action Plan

Building on the progress we made under Whitbread, we have started a review of the key risk areas within our business to develop our Costa Coffee responsible sourcing and human rights programme. This will help us develop our work to date on combating modern slavery across our supply chain, workforce teams and customers and put in place updated action plans in each area over the next year. This is outlined in the table below and we look forward to reporting on progress in our next Modern Slavery Statement.

Supply Chain	Our Teams	Our Customers
<ul style="list-style-type: none"> <li>• Run a new supply chain risk-mapping exercise</li> <li>• Review Procurement, Technical teams and supplier training</li> <li>• Review KPIs and update where required</li> </ul>	<ul style="list-style-type: none"> <li>• Review our existing policies to understand where updates may be needed</li> <li>• Review how policies are implemented and communicated</li> <li>• Review KPIs and update where required</li> </ul>	<ul style="list-style-type: none"> <li>• Review risk of modern slavery occurring in our stores and develop an action plan</li> <li>• Review KPIs and update where required</li> </ul>
<p><b>Governance</b></p> <p>Establish a Human Rights Working Group to track progress against plan, review risk and ensure all the correct stakeholders across our business and supply chain are engaged with our responsible sourcing and human rights programme.</p>		