

GENDER PAY GAP

REPORT 2019

Now is the Moment



INTRODUCTION

Under UK legislation, which came into effect in April 2017, all UK companies with 250 or more employees are required to publish gender pay gap information.

A gender pay gap isn't the difference in pay between men and women doing the same or equivalent work – that's 'equal pay'. Instead, a gender pay gap shows the difference between the average pay of all women and the average pay of all men, irrespective of any differences in the work they do. As a result, it's affected by the composition of the workforce, including the numbers of men and women in different types of jobs and at different levels of seniority.

This report reflects the calculations required under this UK legislation for Costa Coffee.



GENDER PAY AND BONUS GAP REPORTING

Reporting requirements

Companies are required to report the following information:

- Gender pay gap – the difference between the mean, and the median, hourly rates of pay for men and for women in April 2019
- Gender bonus gap – the difference between the mean, and the median, values of bonus pay for men and for women over the 12 months prior to April 2019
- Bonus proportions – the percentage of men and women who received a bonus during the 12 months prior to April 2019
- Quartile pay bands – The proportional split between males and females in each pay quartile

Understanding our workforce

In the UK we are proud to have been recognised as the nation’s favourite coffee shop for 10 years running. With over 1500 owned stores, most of our UK based teams work in operational roles.

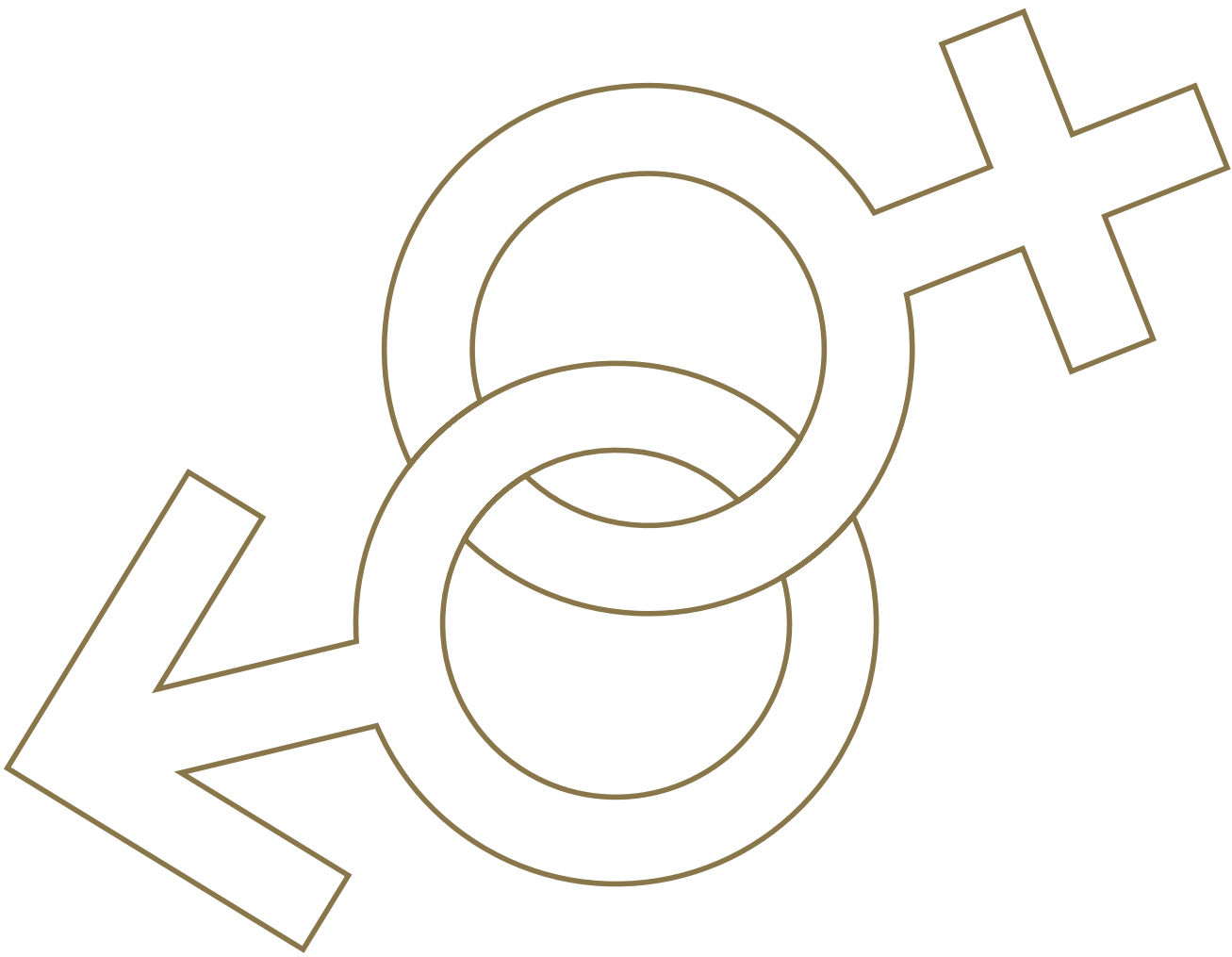
Due to the nature of our business, 85% of our team members are hourly paid, enabling us to support varying operational requirements and within this population, two thirds are female.

Interpreting the data

In gender pay gap reporting, average pay is calculated in two different ways; mean and median. Quartile pay bands are used to show distribution of the workforce.

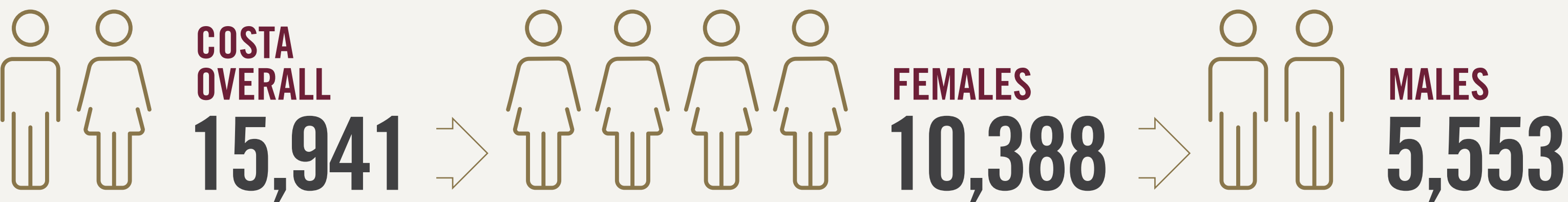
Mean - can be described as the ‘average’. To calculate the mean level of pay for women and for men, the pay of all women is added together and then divided by the number of women, and the pay of all men is added together and then divided by the number of men. The mean gender pay gap compares these two values.

Median - if all women were lined up in order of their pay, and so were all men, the median pay for men and the median pay for women would be the pay of the individual in the middle of each line. The median gender pay gap compares these two values.



When looking at gender pay gaps, statisticians such as the Office for National Statistics prefer to analyse median data points because these are not impacted as much by outlying values, such as the earnings of small numbers of very senior leaders.

Quartile pay bands - if the total workforce were lined up in order of hourly rate of pay and then split into four groups of equal size, or quartiles, this shows the proportions of men and women in each of the four groups.



The figures provided in this report were accurate on 5th April 2019 and relate only to UK based individuals who were employed by Costa Coffee at that time. The report does not include data relating to team members working in a further 1400+ stores which are managed by our franchise partners, or contractors. Franchise partners, and companies providing contractors, will each publish their own individual gender pay figures as required by the government.

COSTA COFFEE 2019 GENDER PAY AND BONUS GAP

The Office for National Statistics uses the median gender pay gap figure to make comparisons. Our median pay gap is 1.69% against a national average of 17.3%.

Our mean pay gap is 11.51%. Our median bonus gap is 15.46%, and our mean bonus gap is 46.71%.

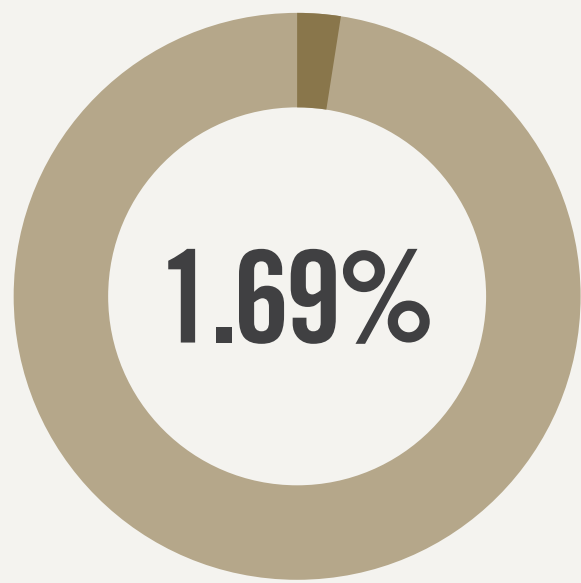
Overall, our gender pay and bonus gaps reflect proportionally more men in our leadership teams, and proportionally more women in our hourly paid, customer facing teams.

For our management and leadership populations, including our store managers, we pay performance related bonuses. For our hourly paid team members, we use voucher schemes which do not meet the definition of bonus for the purpose of gender pay gap reporting.

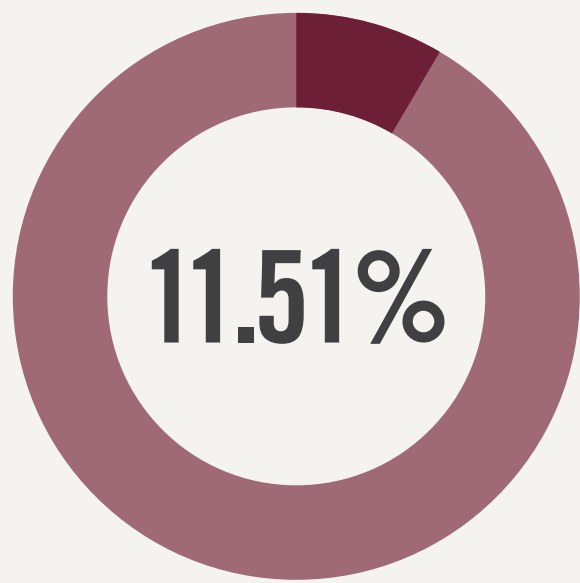
21% of our team members were eligible for a bonus at the end of 2019. Those receiving a bonus included 20% of our female employees, and 24% of our male employees overall.

We know that we have work to do in increasing the representation of women at senior level, and we continue to make progress in closing this gap.

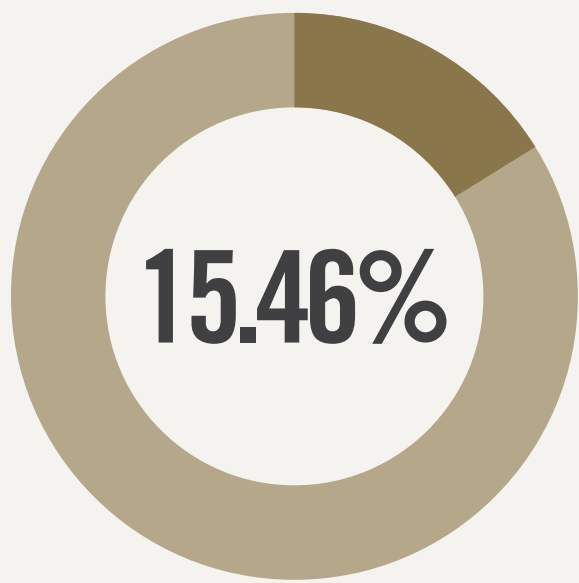
Whilst gender pay and bonus gap reporting was previously completed for Costa Coffee as part of Whitbread, direct comparison with last year's figures is not possible due to changes in the Costa employee population at the point of separation from Whitbread. One-off events related to the separation have also increased the magnitude of the bonus pay gap.



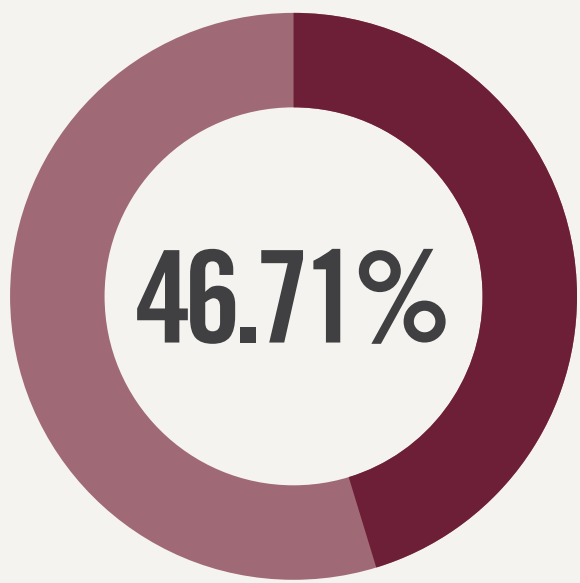
MEDIAN GENDER PAY GAP



MEAN GENDER PAY GAP



MEDIAN BONUS PAY GAP



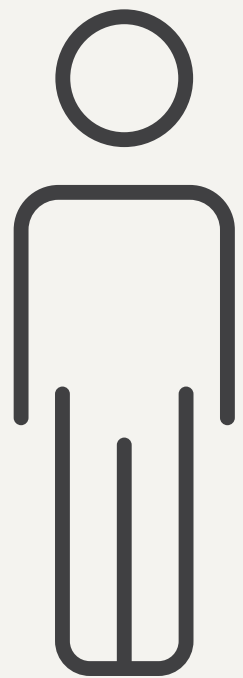
MEAN BONUS PAY GAP

BONUS PROPORTIONS

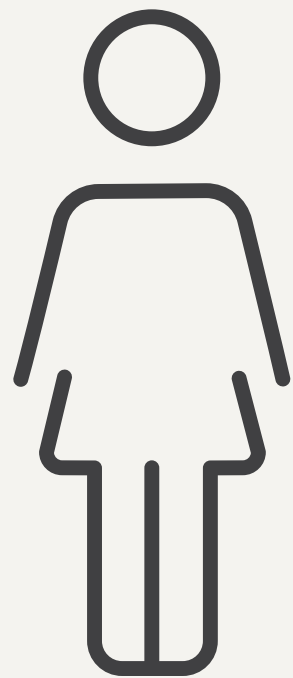
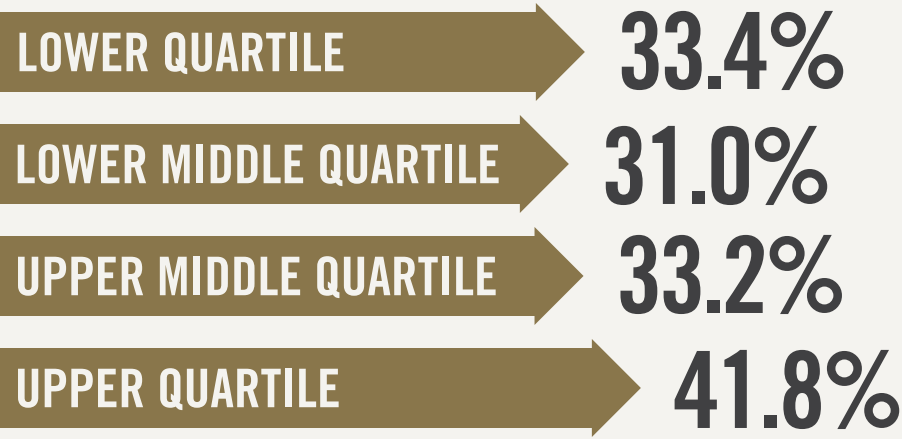
Men receiving
bonus pay



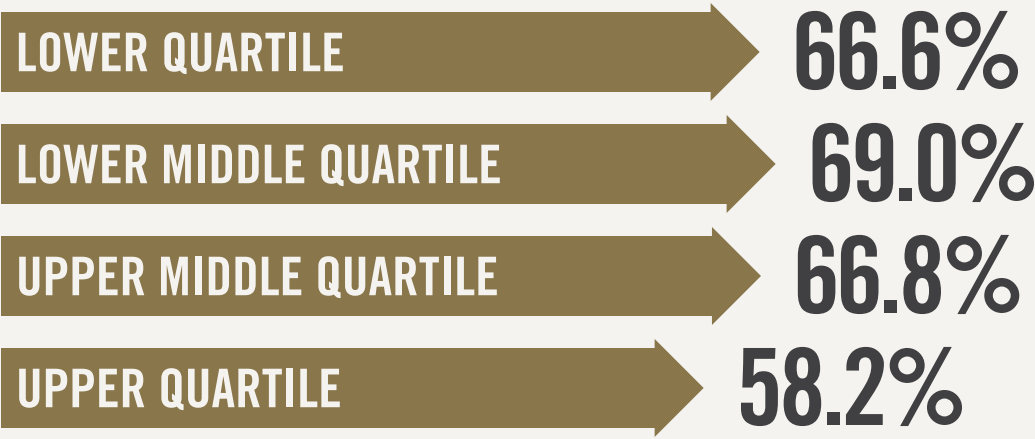
Women receiving
bonus pay



MALE



FEMALE



This shows the proportional split between males and females in each pay quartile.

LOOKING TO THE FUTURE

At Costa, our vision is to be the world's most loved coffee brand; and that relationship starts with our teams. We know that to attract, retain, understand and develop brilliant, innovative people who connect us to our customer base, we must build an inclusive environment for everyone to thrive.

Achieving gender balance has been an area of focus for some time, and whilst we have made progress, we are not complacent. Striving for further improvement continues to be a priority.

In 2019, targeted interventions such as balanced shortlisting and the review of recruitment materials for gender-biased language were successful in attracting women into specific areas of the business, including our IT team and our engineer population. We offered a selection of development opportunities to high potential women within our existing teams.

As part of this, we partnered with external organisations. This included Women Ahead, where we tripled our participation in the 30% Club mentoring scheme, matching mentees and mentors in cross company relationships. We also worked with Women in Hospitality, Travel and Leisure to learn from industry best practice, and benefit from networking opportunities for our people.

We gathered valuable feedback from our teams to inform future plans, and built and strengthened our employee resource networks.

This work will continue in 2020 with further emphasis on developing our existing talent and attracting a diverse range of people into management and leadership roles. To support our team members in achieving their full potential, we will also introduce new learning programmes and a framework for internal mentoring and sponsorship.

We are passionate about achieving gender balance as part of our broader inclusion strategy, and proud to celebrate strong female representation in our Exec team, which now stands at 45%. The recent changes to our employer branding reflect the diversity we strive to achieve throughout the whole business.

We celebrate difference and believe that everyone should be able to bring their true self to work, in a culture that enables and embraces diversity of thought. This focus continues into the year ahead.

Declaration

I confirm that the gender pay and bonus gap calculations and the data provided are accurate.

Kate Seljeflot
Chief People Officer

January 2020

