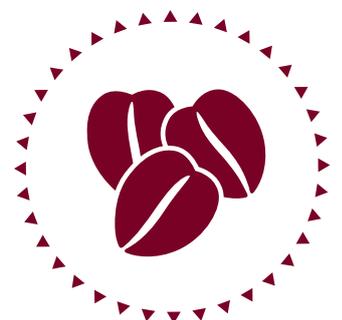


Modern Slavery Statement 2019-2020



Foreword

When the Costa brothers founded Costa Coffee back in 1971, their ambition was to make great coffee available to the many, not the few. Almost 50 years later our purpose remains the same, although on a bigger scale, and we are committed to inspiring the world to love great coffee.

However, we know that without the people who work in our organisation, the people who produce, farm and develop our products, and the people who buy them, these would just be empty words. People are at the very core of our business, and we hold ourselves to high standards when it comes to doing what's right for them.

We don't tolerate any form of slavery, forced labour or human trafficking. That rule applies to our own business, but also the operations and activities of our franchisees and corporate business partners, suppliers and wider supply chain, both in the UK and globally. We do business according to our values of Passion, Warmth, Courage and Trust, which is why we're committed to making sure that human rights are protected across our own business as well as our supply chain. Because this commitment is so important to us, we've included it as a key part of our sustainability programme, "Behind the Beans".

This is the second Modern Slavery Statement we have published since Costa was acquired by The Coca Cola Company in 2019 and we are pleased to share the progress we've made over the last year.

Since we set out our plans in our last statement, we have worked hard to set up new governance around how we manage human rights, reviewed the policies which protect our people and assessed where human rights risks, including modern slavery, are in our supply chains. To do this we have worked in close partnership with UK-based charity STOP THE TRAFFIK and have taken some big steps in the right direction. We have run an extensive human rights risk mapping exercise of our supply chain and procurement processes to identify our high-risk suppliers and enhanced our due diligence and mitigation procedures to make sure they protect the people working in our supply chains.

We know that to combat modern slavery, we need to work closely with our suppliers and our stakeholder network, learning from our experiences and always developing and improving how we do things. I'm really pleased that we have a great plan in place, driven by teams working in many different areas of our business, to build on our work to date over the next year.

Costa Coffee fully supports the provisions set out in the Modern Slavery Act 2015. This statement has been published in accordance with Section 54 of the Act, covering the period from 3rd March 2019 – 28th February 2020 and has been approved by the Board of Costa Limited.



Jill McDonald
Chief Executive Officer Costa Limited
May 2020

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1. Our Business and Supply Chains

Costa Coffee has been voted the UK's favourite coffee shop¹ for the last 10 years, with over 2,700 stores and over 9,800 Costa Express machines in the UK. Costa has over 1,280 stores and over 1,170 Costa Express machines in six regions: UK and Ireland, Europe, MENA, SEA, India and Latin America. Some stores are owned, some are franchised, and some are in joint ventures. We directly employ over 17,400 team members in the UK. 93% of our team members work in our stores across the UK and 7% work in our Support Centres. Including the UK, approximately 22,100 team members are employed directly by Costa Coffee worldwide.

Our central procurement function is split into food and beverage (F&B), and goods not for resale (GNFR). The latter includes the equipment, furniture and consumables in our stores, IT and services such as waste management and logistics. Costa Express manages some of its own procurement separately. Procurement in our international businesses is managed primarily by our local teams or franchise partners, with core branded products such as our coffee beans and takeaway cups being procured by our central teams in the UK.

In 2019-20, our UK operations and international equity and joint ventures operations spent approximately £750 million on goods and services from over 1,100 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. Three-quarters of our suppliers operate in the UK, whilst the remaining quarter are spread across 14 countries. Approximately 25% of our procurement spend is classified as F&B and 75% as GNFR.

2. Managing Our Risk

We're committed to preventing human rights violations, modern slavery and human trafficking from within our operations and supply chains. In 2019 we established a Human Rights Working Group which meets quarterly to track progress against plans, review risk and ensure all the correct stakeholders across our business and supply chains are engaged with our responsible sourcing and human rights programme.

We recognise that there are three areas of risk for our company covering;

- Our team members;
- Our customers and
- Our supply chains

Our steps to protect against modern slavery in these three areas are detailed below. We have identified that the primary risk of modern slavery occurring within our business is in our supply chains and have therefore focused on due diligence activities over the past year in this risk area.

¹ The question 'What is your favourite coffee shop?' was asked of an independent panel (over 4,000 people) with 47% citing Costa Coffee as their preferred café.

2.1. Team Members

We know that maintaining a fair and safe environment, which empowers team members to develop their skills and fulfil their potential, allows us to deliver high standards for customers every day. Although there is a risk of team members working in the food and beverage sector experiencing human trafficking, we know that team members within our business specifically are at a lower than typical risk of exploitation. Since our team members in store must speak the local language fluently and are always working front-of-house serving our customers, they are less likely to be successfully isolated by a potential trafficker.

We never use labour agencies for temporary team members in our stores, however, temporary team members are sometimes used in our Support Centres – for example in our head office. All temporary team members must be sourced from one of our verified agencies which have been vetted by our People Team. Regardless of the lower risk, we take the chance of team members being victims of modern slavery extremely seriously and have a range of relevant policies and procedures to protect them. Last year, our People Team reviewed and amended all our relevant policies (listed below) to ensure they meet best practice. These policies apply to people employed directly by Costa Coffee, including those working in our owned stores and Support Centres.

2.1.1. Policies

Code of Conduct

This document outlines the way we do things at Costa Coffee and is provided to all employees upon joining. All team members 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 team members have an ongoing awareness of the policies Costa Coffee has in place to support them. It also explains our Global People Principles which set out how we intend to do business everywhere.

Grievance Policy

This policy supports and guides employees and managers regarding any concerns raised by an employee about 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 if 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.

Speaking Out Policy

This policy outlines the process we follow when our team members 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. Our team members can also contact the Coca-Cola EthicsLine directly if they prefer.

Equal Opportunities Policy

This 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, including via 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.

Human Trafficking Policy

This policy outlines what human trafficking is, how our business might be exposed to incidents, the types of activities to look out for associated with human trafficking and guidance about what our team members need to do if they have a suspicion of human trafficking within the business.

Human Rights Policy

This policy is aligned to our Code of Conduct, and outlines the ways that we respect and promote human rights at Costa Coffee. It covers our commitment to inclusion and diversity, alongside Costa Coffee's provisions for many key human rights topics including work hours, wages and benefits, freedom of association and collective bargaining, and forced labour and human trafficking.

2.1.2. Due Diligence

We know that although our use of labour agencies is minimal, it still represents a high modern slavery risk for our business. In order to manage this risk, temporary team members are only sourced from our list of verified labour agencies. Each verified agency has been vetted by our People Team, which includes reviewing their recruitment procedures, grievance policies, and payroll practices.

Additionally, all team members and Store Managers are made aware of the signs of modern slavery through our Human Trafficking Policy. All team members are encouraged to report any suspicions to our Safety and Security Team who will investigate further and, if appropriate, refer potential incidents to law enforcement.

2.2. Customers

It is a sad reality that food and beverage businesses can be used by traffickers as a location to either groom or exploit victims. Costa Coffee is committed to preventing modern slavery and protecting customers whenever possible.

Although our team members are only likely to have brief interaction with current or potential victims, we have a Human Trafficking policy that informs our team members about the issue, how to spot the signs, and how to report concerns.

2.2.1. Policies

Human Trafficking Policy

As mentioned in the section above, this policy outlines what human trafficking is, how our business might be exposed to incidents, the types of activities to look out for associated with human trafficking and guidance about what our team members need to do if they have a suspicion of human trafficking within the business.

2.2.2. Due Diligence

Our Human Trafficking Policy clearly recognises that customers might be at risk of modern slavery. All team members are made aware of the signs of modern slavery through the Policy and are encouraged to be vigilant. Any suspicions will be reported to our Safety and Security Team who will investigate further and, if appropriate, refer potential incidents to law enforcement.

2.3. Supply Chains

We recognise that, like any business with global suppliers, our supply chain is at risk of being exposed to modern slavery. Last year we committed to running a risk assessment of our supply chain to better understand how we are exposed to human rights violations, including modern slavery, and to ensure our due diligence is best practice. To do this Costa Coffee has been working with STOP THE TRAFFIK extensively over the past year. This partnership involved STOP THE TRAFFIK producing both an “inherent” and “actual” risk map of our global supply chain, using a £10,000 spend threshold, as well as conducting a policy review of our procurement due diligence procedures.

STOP THE TRAFFIK’s “inherent” risk mapping methodology consists of ranking each supplier on a scale of 1 to 5 based on their economic sector and country of operation, where 1 is the lowest risk of modern slavery and human rights abuses, and 5 is the highest. These rankings combine intelligence from multiple open-source datasets with analysis from STOP THE TRAFFIK’s human trafficking Research and Intelligence Team. The inherent risk mapping is a theoretical human rights ranking which identifies where risks are most likely to be within our supply chain, it does not confirm their existence.

This project identified 188 Costa Coffee suppliers which operate either in a sector or country that is deemed to have a high-risk for human rights violations, making up approximately £320 million of spend. These high-risk suppliers are primarily manufacturers, both of food and beverages and of property and consumables, such as furniture. Our high-risk suppliers also include those that provide corporate services, such as store fit-outs, warehousing, and facilities services.

Having completed this inherent risk mapping, together with STOP THE TRAFFIK we are conducting an “actual” risk ranking of the 188 high-risk suppliers. Using both publically available information and data which suppliers disclosed to our team, we reviewed what steps each supplier had taken to manage their human rights risk. Responding to the findings, throughout 2020-21 we will identify which of our suppliers are deemed “significant risk” and conduct social audits of these businesses to check that they meet our high standards.

Within our supply chain we also purchase some products from externally certified sources, under which modern slavery is forbidden in order to be awarded certification. This includes our coffee, which we recognise is a high-risk commodity for a range of human rights issues. We are fully committed to responsible sourcing to ensure that the farming communities that harvest our beans are taken care of. That’s why we were the first UK coffee shop to commit to sourcing 100% of our coffee from Rainforest Alliance Certified farms back in 2008 and we are proud to say that all our coffee and hot chocolate carries the Rainforest Alliance seal. Every Rainforest Alliance Certified™ farm is required to meet strict guidelines for better farming methods and working conditions. Central to the Rainforest Alliance Sustainable Agriculture Standard, which farms must abide by, is a commitment to eradicate all forms of forced or exploited labour and to protect and promote workers’ rights.

2.3.1. Policies

Responsible Sourcing Policy (RSP)

Costa Coffee’s Responsible Sourcing Policy is in line with the International Labour Organisation (ILO) and the UN Guiding Principles on Business and Human Rights. The policy outlines the social, ethical and environmental standards which we hold our direct suppliers to. Currently, all suppliers are required to sign a copy of the RSP. Learning from our work with STOP THE TRAFFIK, we will be enhancing this requirement and will be adding a provision into all our supplier contracts that will more explicitly require suppliers to comply with the policy. Suppliers are required to meet high standards on a range of issues, including:

- Employment and forced labour
- Freedom of association
- Working conditions
- Child labour
- Wages and benefits
- Working hours and annual leave
- Discrimination
- Regular employment
- Humane treatment
- Dormitories
- Ethical corporate practices
- Environmental stewardship

Speaking Out Policy

Our Speaking Out policy outlines the process we follow when our employees, including those in our Procurement teams, 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, including those relating to suppliers, may be raised internally or through our independent and confidential Speaking Out Helpline which is run through Hospitality Action, our employee assistance provider.

2.3.2. Due Diligence

In 2020-21, we will be responding to the findings and recommendations of STOP THE TRAFFIK's risk mapping to ensure that our human rights due diligence meets best practice. We are currently updating our supplier on-boarding process which involves refining the human rights self-assessment that suppliers are required to complete and automating the risk ranking process so that we have real-time insight into both our inherent and actual human rights risk.

Having identified the 188 suppliers which operate in sectors or countries known to be high-risk for human rights, we will be designing and implementing an ethical auditing programme for suppliers we deem a priority. Our new due diligence process will create improved clarity around roles and responsibilities for human rights throughout a supplier's entire life cycle, from tendering for contracts through to contract expiration.

For the due diligence of our coffee supply chain, Costa Coffee has played an active role in the Rainforest Alliance's consultation process since 2018 and has lobbied for higher standards and stronger monitoring procedures, particularly focusing on the human rights impact of the standard. Over 2020-21, we will be reviewing how we can enhance our coffee due diligence, complementing the work done by the Rainforest Alliance.

2.4 Training

We are currently working closely with STOP THE TRAFFIK to develop modern slavery training for our procurement function. This training, which we plan to deliver in 2020-21, will ensure our team understands both modern slavery and human rights, is aware of the high-risk goods and services we procure and understand why it is crucial to follow the new human rights due diligence process that we are currently implementing.

3. Measuring Our Effectiveness and Progress to Date

This year, working with STOP THE TRAFFIK we are developing a set of KPIs which will enable us to measure how effective our actions have been at preventing modern slavery from occurring across our business and supply chains. We will continue to report against these indicators in our subsequent statements.

In our last statement we outlined 9 next steps which we intended to achieve in 2019-20. We have indicated our progress in achieving these steps in the below table.

Risk Area	Next Step	Progress
Supply Chain	Conduct supply chain risk mapping	●
	Review procurement team training	●
	Review and develop supply chain KPIs where required	●
Team Members	Review and update team member policies	●
	Review policy implementation	●
	Review and develop team member KPIs where required	Work Planned for 2020
Customers	Review risk of incidents and develop action plan	●
Governance	Establish a Human Rights working group	●
<p>● Complete ● Substantial Progress</p>		

4. Next Steps

We are proud of the work we have achieved this year, but we know that there is still more to do. In the year ahead, our focus will be to continue to update our human rights due diligence processes in our supply chain, begin audits on our highest risk suppliers and start training programmes. We will also look to set relevant key performance indicators in areas where we need to track progress against supply chain and teams. We look forward to reporting on progress in our next Modern Slavery Statement.