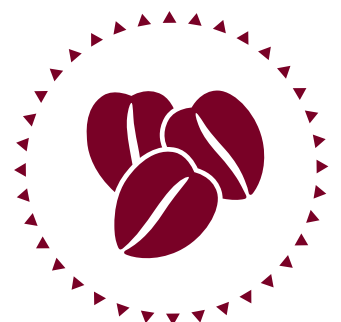


Costa Coffee Supplier Guiding Principles



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Introduction

Costa Coffee's Responsible Sourcing Programme is a fundamental part of our business philosophy and strategy. We recognise our responsibility as a global coffee business to ensure sound social, ethical and environmental practices within our operations, the supply chain and in every market in which we operate.

In line with the UN Guiding Principles on Business and Human Rights, we acknowledge our responsibility to respect the human rights of every worker supplying goods or services to us. They all deserve the right to live in dignity and work in a safe workplace and we take our part in respecting this right very seriously. Moreover, we understand that when workers are treated with respect, work in civilised conditions and earn fair rates of pay, both they and their companies benefit from increased commitment and productivity.

It constitutes minimum and not maximum standards and should not be used to prevent suppliers from exceeding these standards. Suppliers, and their subcontractors, applying these Principles are expected to comply with national and other applicable law and, where the provisions of law and these Principles address the same subject, to apply that provision which affords the greater protection to workers.

We are passionate about delivering on our responsibility to get this right and excited to see the positive impact we can have on the thousands of workers involved in delivering the Costa Coffee products of which we are so proud.

1 Costa Coffee Supplier Guiding Principles

These Principles define both Costa Coffee's minimum standards and the basic principles of co-operation that we require of all suppliers and business partners. In line with our supplier contracts, suppliers are not relieved of their obligation to respect these Principles when subcontracting. Suppliers are responsible for ensuring that their subcontractors operate in accordance with these Principles.

It also identifies the commitments Costa Coffee will make to ensure the Principles are effectively implemented throughout the supply base. The requirements are based on core international labour organisation conventions, the ETI base code and the UN Guiding Principles on Business and Human Rights.

1.1 Forced Labour:

1. There are no trafficked individuals working in any part of the supply chain, who have been recruited, transported, transferred, harboured or received for the purposes of exploitation.
2. All forms of forced labour are prohibited, including prison labour, indentured labour, bonded labour, military labour, slave labour and any form of human trafficking.
3. Workers are not required to pay fees, either directly or indirectly to obtain work, or lodge 'deposits' or their identity papers with their employer and are free to leave their employer after a contracted, reasonable notice period.

1.2 Freedom of association and Collective Bargaining:

4. Workers, without distinction, have the right to join or form trade unions or other comparable, legal organisations of their own choosing and to collectively make representations to, or enter into negotiations over employment issues with their employer.
5. Where employees are represented by a legally recognized union, suppliers will establish a constructive dialogue with their freely chosen representatives and bargain in good faith with such representatives.
6. Workers' representatives are not discriminated against and have access to carry out their representative functions in the workplace.
7. Where the right to freedom of association and collective bargaining is restricted under law, the employer does not hinder the development of parallel means for independent and free association and bargaining.

1.3 Working conditions

8. A safe and hygienic working environment shall be provided, bearing in mind the prevailing knowledge of the industry, any specific hazards and legal requirements in line with internationally recognised certification and standards (such as the Occupational Health and Safety Assessment Series OHSAS 18001 or the International Labour Office ILO-OSH 2001 system).
9. A record of health and safety incidents (accidents and injuries) shall be maintained, with an action plan to improve performance by minimising the causes of hazards in the working environment.
10. Workers receive regular and recorded health and safety training and such training shall be repeated for new or reassigned workers.
11. Access is provided to clean toilet facilities, potable water, and sanitary food storage.
12. Responsibility for health and safety is assigned to a senior management representative.
13. Facilities will undergo an environmental and safety risk assessment and have all required documentation and permits regarding structural, electrical and fire safety.

1.4 Child labour

14. Child labour is prohibited. Suppliers must comply with all national and local child labour laws, or follow ILO core convention (whichever is higher).
15. Suppliers must maintain formal documentation that verifies the age of each worker
16. Young persons under 18 shall not be employed at night or in hazardous conditions and suppliers must comply with all international and national laws regulating young workers, including educational opportunities.

1.5 Wages and Benefits

17. Wages and all legally mandated benefits paid for regular hours of work meet, at a minimum, national legal standards or industry benchmark standards, whichever is higher.
18. Suppliers must offer employees the opportunity to develop their skills and capabilities, and provide opportunities for advancement where possible.
19. Overtime must be paid at a premium rate, at a minimum compliant with national legislation.
20. Wages shall be paid directly to the workers in the form of cash or cheques or into a nominated bank account, at the agreed intervals and in full.
21. All workers shall be provided with written and understandable information about their employment conditions in respect to wages before they enter employment and provided with wage slips including the particulars of their wages for the pay period concerned each time that they are paid.

22. Deductions from wages as a disciplinary measure shall not be permitted nor shall deductions from wages not provided for by national law be permitted without the expressed permission of the worker concerned. All disciplinary measures should be recorded.

1.6 Working hours and annual leave

23. Working hours must comply with national laws and industry standards.
24. Workers shall not be required to work in excess of a basic 48 hours per week and shall be provided with at least one day off for every seven-day period.
25. Overtime must be voluntary, must not average more than 12 hours per week, and must not be undertaken on a regular basis.
26. Workers may refuse to work overtime without any disciplinary action being taken against them.
27. Paid annual leave must be afforded to each employee, based on a clear, formal policy.

1.7 Discrimination

28. Suppliers will fully comply with local laws regarding equality of employment opportunities.
29. Suppliers will practise no discrimination in hiring, compensation, training, promotion, termination or retirement based on race, caste, nationality, ethnicity, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation, according to local law.

1.8 Regular employment

30. Work performed must be on the basis of a recognised employment relationship established through national law and practice.
31. Labour-only contracting, subcontracting, fictitious self-employment, excessive use of fixed-term contracts of employment, or home-working arrangements must not be used to avoid the legal responsibilities of recognised regular employment.
32. Migrant, contract, part-time and home-workers must receive the same rights, benefits and opportunities for advancement as other workers performing similar activities.

1.9 Abuse of Labour

33. Physical and verbal abuse, the threat of physical abuse, sexual harassment or other forms of intimidation shall be prohibited.
34. Disciplinary actions must be proportionate and fully compliant with local laws.

35. All disciplinary actions must be recorded.
36. Suppliers will record any incidence of harsh or inhumane treatment and develop action plans to prevent future violations.
37. Suppliers must have a grievance mechanism for employees to communicate their complaints confidentially to higher-level managers or human resources staff. Workers and supervisors should be made aware of the policy, which should be incorporated into written policies.

1.10 Dormitories

38. Dormitory facilities must meet all local laws and regulations covering health, sanitation, electrical, mechanical, fire and structural safety.
39. An evacuation plan must be prominently displayed.
40. Dormitory facilities should have been designed and built for human habitation.
41. Facilities should be away from main factory and production buildings.
42. Charges for rent and food must be reasonable and benchmarked against local cost and wage levels.
43. Each worker must be provided with an individual sleeping area (bed or mat).
44. Sleeping quarters must be segregated by gender.
45. Workers must be provided with adequate and lockable storage space.
46. Sleeping quarters must have adequate lighting.
47. Appropriate quarters must be provided for couples who are legally married.
48. The living space per worker must be the minimum legal requirement or the local industry standard, whichever is greater.
49. Workers must be allowed to leave and enter freely during time off work subject to reasonable restrictions imposed based on considerations of safety.
50. Dormitory accommodation must include access to potable water.
51. Workers must be provided with adequate recreational facilities.
52. Adequate toilet and shower facilities must be provided, segregated by gender and maintained in a hygienic condition.

1.11 Laws and Regulations

53. All relevant national and international legal requirements must be complied with.

54. Costa Coffee must be informed of any serious breaches of compliance or investigations by authorities into potential breaches.
55. Suppliers must not take part in:
 - Money laundering
 - Insider trading
 - Fraud, bribery and corruption and other improper payments or gifts
 - Unauthorised access to personal and business information.
56. Suppliers will adhere to the principle of free, prior and informed consent of local and indigenous communities where sourcing takes place, ensuring rights and access to land is not abused.
57. Suppliers are required to act in accordance with the UK Bribery Act as outlined in The Costa Coffee Global Code of Conduct.
58. Suppliers are required to act in accordance with the UK Modern Slavery Act 2015 where relevant.

1.12 Environmental Stewardship

59. Suppliers must comply with all relevant local, national and international legal requirements regarding environmental stewardship.
60. Suppliers are required to conduct an environmental risk assessment at the facility level.
61. As appropriate to the size and complexity of the business, suppliers must be able to demonstrate environmental policies and management systems sufficient to ensure continuous improvement in environmental performance.
62. Suppliers should comply with any additional sub-policies or standards that Costa Coffee introduces to improve environmental stewardship.

2 Costa Coffee Commitments

Costa Coffee understands that improving social, ethical and environmental standards in the supply chain is a challenging process that requires the co-operation of its employees, suppliers and other stakeholders. We also recognise that compliance to the Supplier Guiding Principles may not be immediately achievable, but we are committed to working collaboratively towards this goal.

The principles of implementation herewith recognise this challenge and set out a process of continuous improvement with the ultimate objective of achieving compliance to the Principles.

To drive continuous improvement, Costa Coffee commits to the following:

- Work to fair, transparent and mutually agreed terms and conditions.
- Make payments for services provided on time and in full.
- Work collaboratively with suppliers to improve social, ethical and environmental standards where our support is needed and is appropriate.
- Acknowledge specific national, regional or cultural challenges.
- Protect the confidentiality of information entrusted to us.
- Recognise suppliers' own standards where they are comparable to our own.
- Ensure that all relevant employees are aware of the Supplier Guiding Principles.
- Include transparent environmental, social and ethical performance criteria in our supplier selection processes.
- Cease trading with suppliers demonstrating persistent disregard for these Principles.
- Give appropriate consideration to the impact of ceasing trading on suppliers and the communities in which they operate.
- Comply with the UK Bribery Act Legislation.
- Comply with the UK Modern Slavery Act 2015.
- Integrate the UN Guiding Principles on Business and Human Rights throughout our supply chain and in our own operations.

Suppliers must be able to demonstrate compliance with the Supplier Guiding Principles at the request and satisfaction of Costa Coffee.

Costa Coffee reserves the right of access to supplier operations including their entire supply chain for our own auditors or by third party auditors engaged by Costa Coffee in order to assess compliance with these Principles. The assessments generally include confidential interviews with employees and on-site contract workers.

Suppliers may in addition be required to comply with additional sub-policies or standards relevant to the products that we source from that supplier and specific risks or issues associated.

If a supplier fails to uphold any aspect of the Supplier Guiding Principle requirements, the supplier is expected to implement corrective actions.