

COSTA
COFFEE

GENDER PAY GAP

REPORT 2021



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.

In 2020, due to COVID-19, the reporting deadline for the 20/21 reporting year was extended to 5 October 2020. The deadline for the 21/22 reporting year remains unchanged. Employers are encouraged to report ahead of these deadlines where possible and we have chosen to do this; reporting both sets of figures together. Our calculations for 2020 are published at the end of this report, in accordance with government guidelines.



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 2021
- 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 2021
- Bonus proportions – the percentage of men and women who received a bonus during the 12 months prior to April 2021
- 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 11 years running. With over 1,500 Costa owned stores, most of our UK based teams work in operational roles.

Due to the nature of our business, 81% of our team members are hourly paid, enabling us to support varying operational requirements and within this population, 70% are female.

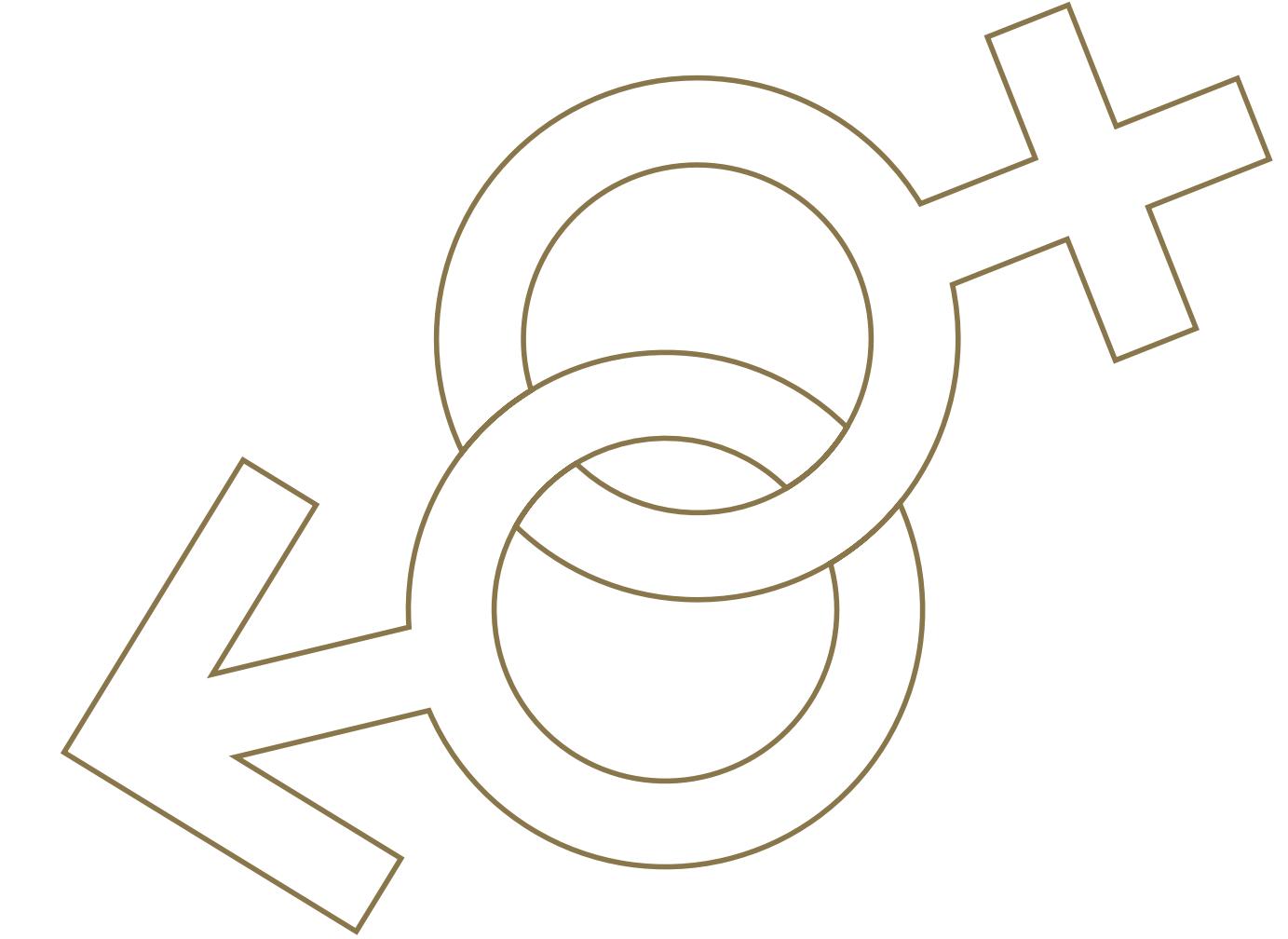
*When Allegro asked 5,022 UK consumers 'What is your favourite branded coffee shop chain?', 52% cited Costa Coffee

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 2021 and relate only to UK based individuals who were employed by Costa Coffee at that time. 48% of Costa Coffee's UK based employees in the overall number shown above were furloughed at the time of reporting and these individuals are not included in the final calculations, in accordance with government guidance. The report does not include data relating to team members working in a further 1,200+ 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 2021 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 9.4% against a national average of 15.5%.

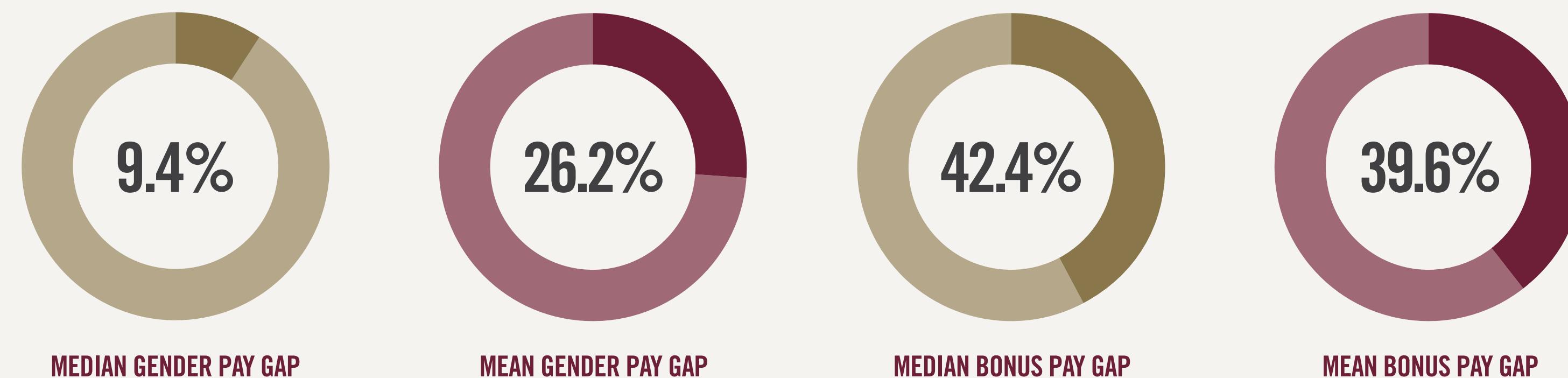
Our mean pay gap is 26.2%. Our median bonus gap is 42.4%, and our mean bonus gap is 39.6%.

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.

18% of our team members were eligible for a bonus at the end of 2021. Those receiving a bonus included 12.3% of our female employees, and 19.1% 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.

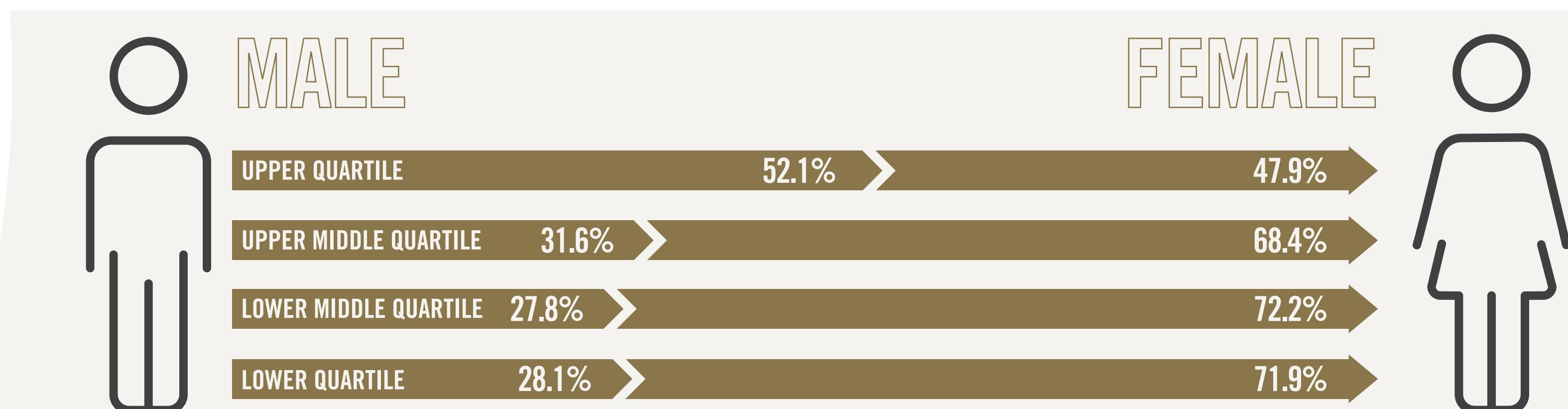
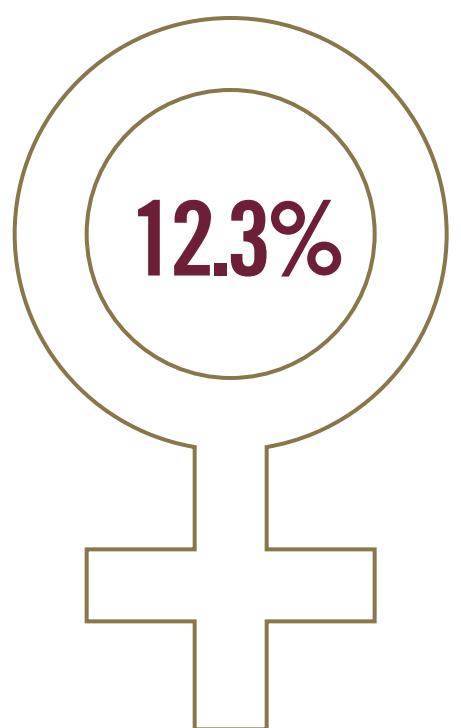


BONUS PROPORTIONS

Men receiving
bonus pay



Women receiving
bonus pay



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 people. 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. We want to inspire everyone to love being part of Costa.

Many of our employees are women and we are proud to see this representation continue into our middle management teams, where the majority are female. Our work to create greater gender balance within our most senior leadership team continues and whilst balanced shortlisting has helped us to improve this, we know we still have work to do. In 2021 we attracted women from other industries into senior roles in our business, alongside the internal promotion of women, both resulting in successful appointments to our Exec and leadership teams. We made improvements to the recruitment process in our stores, in order to mitigate bias, and introduced tracking of diversity demographics from the point of recruitment through our HR systems to help us to identify opportunities quickly and make decisions based on data. Selected groups attended unconscious bias training with an emphasis on hiring, resulting in improved representation of women in those teams. We also increased pay by 5% for all hourly paid team members in Costa owned stores in the UK, 70% of whom are female.

For our teams, we continue to drive conversation around our inclusion and diversity agenda through internal events, panel discussions, and communications.

In 2021 we launched our 'Together' gender balance network, who help us to create community and to inform, provoke and elevate the narrative. Moving forward we plan to work with the Together community to raise awareness of the results of this report internally, and to help us to improve our existing action plans. Across our wider system, in collaboration with Coca-Cola, we have created quarterly panel events with a primary focus on gender to provide opportunities for our people to connect and learn.

We also continue to partner with external organisations. In 2021, these included Moving Ahead, and their Mission INCLUDE mentoring scheme, and the FEM programme, both matching mentees and mentors in cross company relationships. We also work with Women in Hospitality, Travel and Leisure to learn from industry best practice, and benefit from networking opportunities for our people, and we are also delighted to be working with 'Women in Engineering'. Next year, our plans include a programme to support women in operations, as we know that this is a key population for our business.

Declaration

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

Jonathan Crookall
Chief People Officer

September 2021



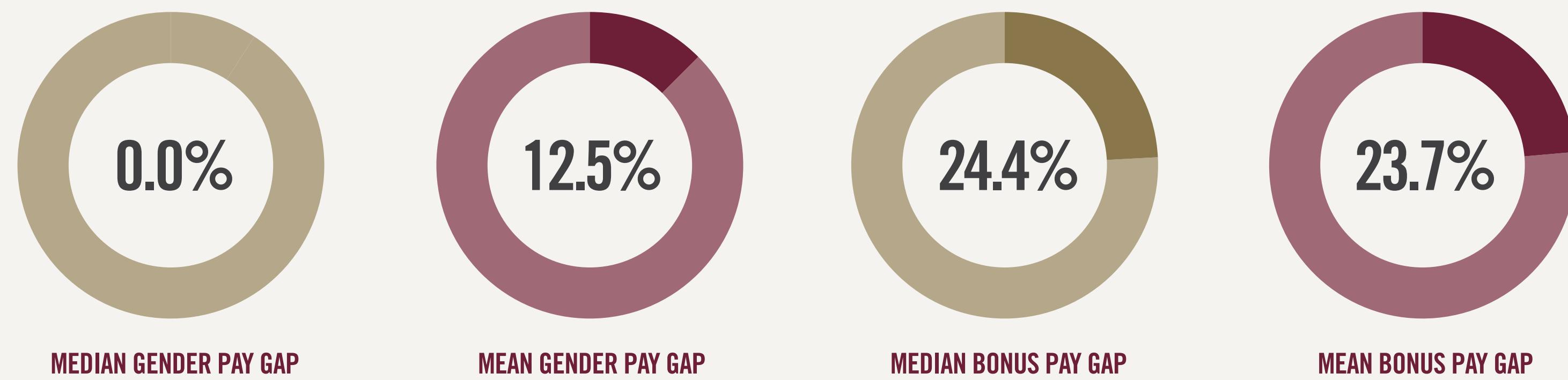
APPENDIX

COSTA COFFEE 2020

GENDER PAY AND BONUS GAP

This page shows the reported figures for 2020, published in line with government requirements.

These figures were accurate on 5th April 2020 and relate only to UK based individuals who were employed by Costa Coffee at the time. Whilst the majority of Costa Coffee's UK based employees were furloughed at the time of reporting, in April 2020 those individuals were receiving 100% of their pay, calculated on a 12 week average, and they have therefore been included in the final calculations, in line with government guidance. The report does not include data relating to team members working in a further 1,200+ stores which are managed by our franchise partners, or contractors. Franchise partners, and contractors , will each publish their own individual gender pay figures as required by the government.

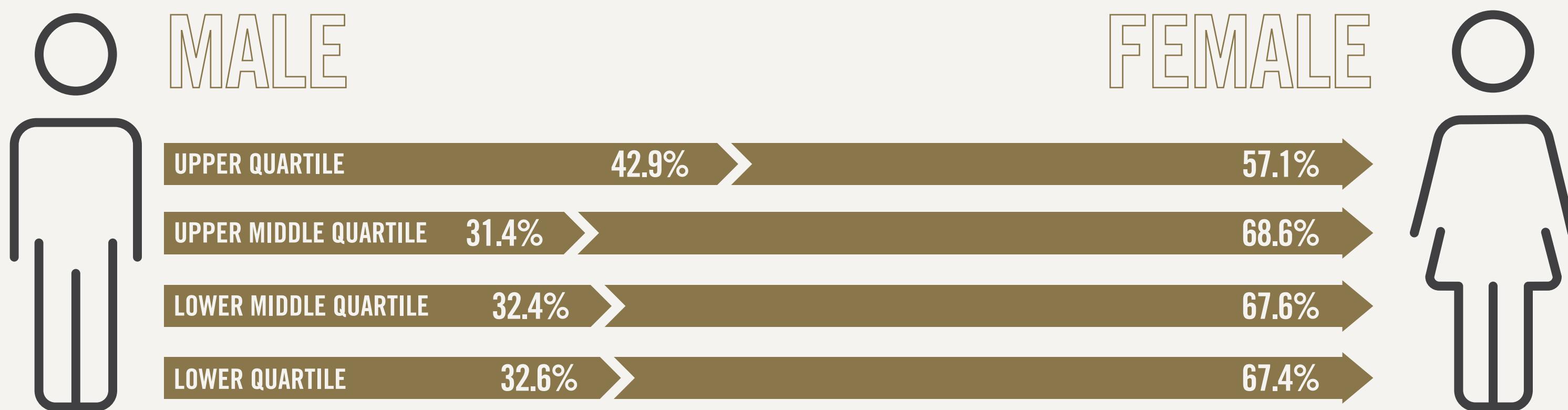


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