

Whitbread Modern Slavery Statement 17/18

We recognise our responsibility as the UK's largest hotel company and coffee shop business to respect the human rights of every worker supplying goods or services to us, every team member helping us deliver great service to our customers, and the customers we serve every day.

This has been a year of progress and development, and a great amount of learning. We know where our risks are, and this year has been about interrogating that risk in more detail, asking more questions and scrutinising practice in more depth than we ever had before. In some cases this involved taking an industry first, deep dive look at accepted practices, asking some uncomfortable questions of ourselves and our suppliers – and committing to make changes for the better, together.

We remain committed to working collaboratively with our suppliers and our stakeholder network, learning from our experiences and continually developing and improving our programme. However, as we clearly lay out in our Responsible Sourcing Policy, we will cease working with suppliers who demonstrate a persistent disregard for our standards.

We are pleased to report under the Modern Slavery Act. We have worked hard this year, not only to develop our supply chain due diligence, but also to increase the awareness of these issues across our operations. Our team members across the Premier Inn estate now have the knowledge and tools to recognise and report a suspected case of modern slavery in our sites. We recognise the role our sites play in the communities we serve and this is just another way we aim to be a Force for Good wherever we operate in the world.

This statement covers the period 3rd March 2017 – 1st March 2018 and has been approved by our Executive Committee and was approved by the Whitbread plc Board on 22nd March 2018.

A handwritten signature in black ink that reads "Alison Brittain". The signature is written in a cursive, flowing style.

Alison Brittain,
CEO
22nd March 2018

Following our first statement published at the end of the 16/17 financial year, this statement provides an update on our work over the past year to mitigate the risks of modern slavery across our business and supply chain. Our work this year has focused on managing the risks we identified last year, re-assessing and reviewing our processes for identifying and mitigating risks and setting the direction of focus for next year.

The report is split into the following sections:

1. **Our business and supply chain structure**
2. **Re-assessing risks of modern slavery across the business**
3. **Key risks: how we've managed them over the year and what we're going to focus on next year**
 - Supply chain
 - Team members
 - Guests
4. **How we collaborate and develop**
5. **How we measure our performance**

1. Our business and supply chain structure

Whitbread PLC is the UK's largest hospitality company owning brands that include the UK's largest hotel business (Premier Inn) and the UK's favourite coffee shop (Costa).

Premier Inn & Restaurants

Premier Inn is the UK's leading hotel business, with over 780 hotels and more than 72,000 rooms across the UK. Our unique joint site model means that more than half of our hotels are located alongside our own restaurant brands. We also have hotels in the Middle East (through a joint venture) and Germany.

Costa

Costa is the UK's favourite coffee shop with over 2,400 coffee shops in the UK, over 1,300 stores in 31 international markets and over 8,200 Costa Express self-serve units. Some stores are owned, some are franchised, and some are in joint ventures.

Supplier Network and Supply Chain Structure

We purchase our goods and services from over 2,500 direct suppliers. The majority of our suppliers are manufacturers of finished product (e.g. beds, furniture), food processors, construction contractors and providers of service (e.g. technology and laundry). They are largely based in the UK, supported by a complex, global supply chain.

Within these 2,500 direct suppliers, we have 60 critical suppliers, defined as those with both high strategic impact and operational criticality, being central to our core brand offerings.

Procurement in our international businesses is managed primarily by our local businesses or franchise partners, with brand specific products such as our beds in Premier Inn or coffee in Costa being procured by our central teams.

This year, we made some changes to our central procurement structure, bringing both our Costa and Premier Inn & Restaurants teams together under our Group Procurement Director. The team is now positioned in a new Group Transformation Function, led by our Group Transformation Director. This ensures that we fully leverage the skills and scale of how we buy across the organisation.

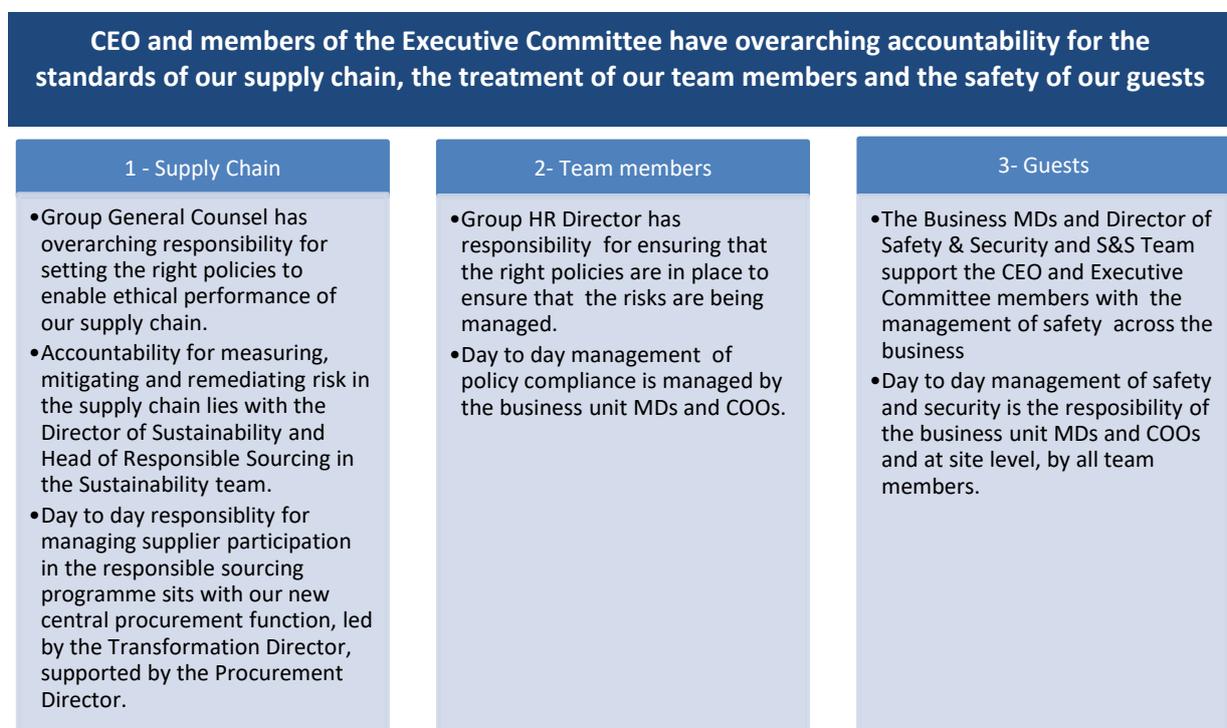
2. Re-assessing where risk of modern slavery lies across our business

As a hospitality company, there are a number of ways in which our business could be touched by modern slavery. How we assess and mitigate that risk remains dependent on the type of risk, our leverage and ability to manage it and where accountability for doing that sits within the business or supply chain.

The fundamental areas of risk and the accountabilities for managing them remain unchanged from last year's report.

The results of our work this year, the issues we have identified and remediated with suppliers has given us the confidence that we picked the right areas to focus on.

Fig 1: Where risk and accountability sit across Whitbread's business



3. Our key risks: how we've managed them over the year and what we will focus on next year

Supply Chain

In last year's statement, we reported that we had identified a higher risk of modern slavery potentially occurring in 22% of our spend on products and services, represented by 80 direct suppliers.

Our analysis also 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 – meaning a collaborative approach, working with our suppliers to manage the risk, would be crucial.

This year we have focused our efforts on doing just that. Working closely with our suppliers we have begun to address our risk by working through our 'Human Rights in the Supply Chain' due diligence process.



The success of this due diligence process relies on a number of tools and procedures centred around our core Policy and the Principles of Implementations it lays out.

Policy

Whitbread's [Responsible Sourcing Policy](#) outlines the standards we require all suppliers, across all geographies, products and services, to comply with. 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 against it through questionnaires and supporting evidence and verification.

Independent Ethical Audit

Working with an independent, third party partner, we conduct SMETA (Sedex Members Ethical Trade Audit) audits for suppliers who we recognise as potentially high risk. These audits assess compliance against our Responsible Sourcing Policy using the SMETA guidelines for best practice. They involve a full site visit, document, policy and employment practice review of each supplier and a representative sample of worker interviews. These interviews are always undertaken in confidence, in the workers' native language and provide a safe and confidential opportunity for workers to speak out about any malpractice or concerns they may have.

Whilst we recognise SMETA best practice guidelines, we understand that sometimes workers may feel unable to speak freely when they are in the workplace. In order to ensure we are truly providing the opportunity for honest feedback, we have created a whistleblowing line via our independent auditors who give interviewees a number they can call if they want to speak about anything at a later date.

Wherever issues are uncovered through these audits, we work closely with our suppliers to remediate areas of non-compliance to clearly defined and agreed timeframes. This remediation is then verified by follow up, third party audit to ensure compliance. Where our suppliers demonstrate a persistent disregard for working with us to meet the standards outlined in our Policy, we reserve the right to cease working with them.

Technical training and audit

As outlined in last year's report, we also provide technical training to give a high level 'temperature check' of our suppliers' ethical performance.

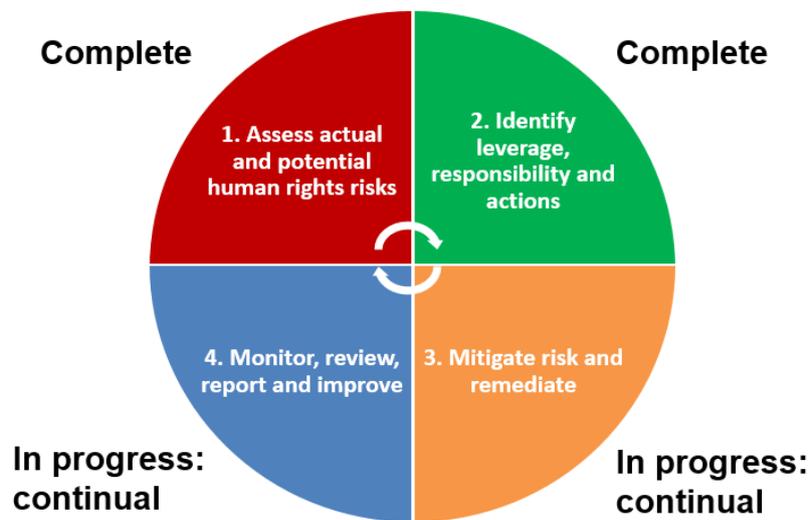
Our technical managers have undergone training on ethical performance and due diligence and are provided with the tools they need to record basic observations relating to core labour principles during every site visit. These tools also provide an escalation procedure to our Head of Responsible Sourcing for anything that causes concern.

Progress during FY 17/18

Following on from our progress report last year, we have strengthened our programme considerably over the past 12 months.

We have focused on our higher risk suppliers as a priority, working through stages two (identifying leverage, responsibility and actions) and three (mitigating risk and remediating) of our 'Human Rights in the Supply Chain' due diligence process.

Across some supply chains, we have also begun stage four (reviewing our progress and identifying areas for improvement) which we look forward to reporting in next year's report.



2. Identify leverage, responsibility and actions

Working through each supplier identified as a high risk, we conducted an in-depth analysis based on:

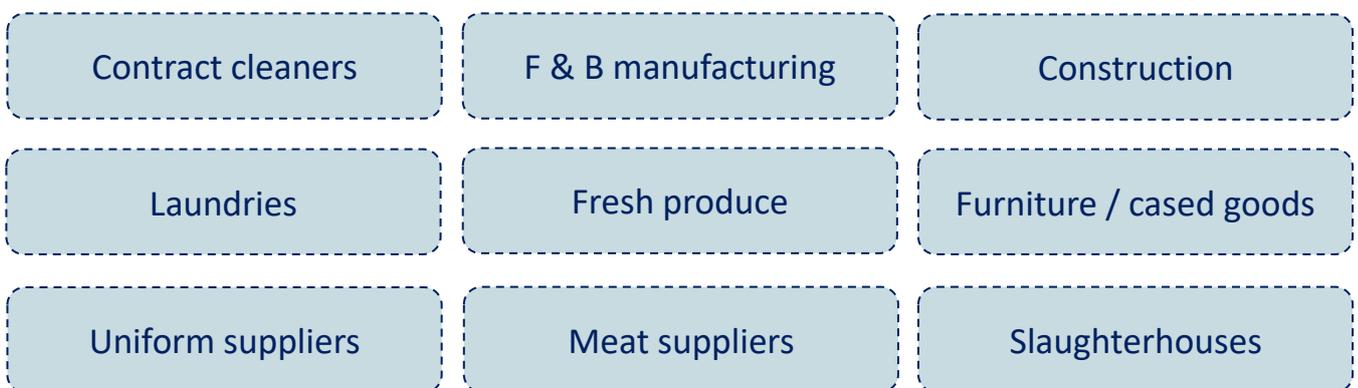
- **The origin of risk** – what component of the product or service provided caused to be on the high risk list?
- **The position of this risk** – how deep in the value chain is it?
- **Our responsibility** - how responsible would we be for the manifestation of that risk occurring? (For this analysis, we used the UN Guiding Principles 'cause, contribute or linked to' principle).
- **Our leverage** – what is our leverage to do something about this risk?

- **Supplier performance** – through our internal due diligence programme we already have a rich amount of data relating to our suppliers’ own programmes to protect against modern slavery, their employment practices and labour standards across the sites where our products and services are manufactured. Reviewing this information allowed us to gauge how effectively the risks identified might already be being managed.

As a result of this analysis, individual action plans were developed, shared with the relevant suppliers and implemented throughout the year as stage three of our due diligence process (mitigating risk and remediating).

3. Mitigate risk and remediate

Our analysis identified that third party, independent ethical audits were required for 45 suppliers across 96 sites. The supply chains these audits covered have included:



This has meant that over the last 12 months, our programme has measured labour standards for over 35,000 workers across our global supply chain.

Results of these audits demonstrated that the vast majority of non-conformances against our Responsible Sourcing Policy were ‘minor’, relating to poor document management or isolated incidences of health and safety failings. Those classed as ‘major’ typically reflected a more systemic issue of health and safety failing or poor labour standards. A small amount (6%) were categorised as ‘critical’ posing an immediate threat to fundamental human rights of a worker.

Wherever an issue of non-conformance was identified, a corrective action plan was developed, agreed with the supplier and implemented within an agreed deadline for completion. This ensures that not only were the labour standards measured for over 35,000 workers, but they were put on a path to improvement. We then check that the agreed improvements have been made.

Throughout the year, we have been pleased with the collaborative and open nature that our suppliers have adopted. Across the value chain, our suppliers have been open to honest discussions about risk and allowed unreserved access to workers and information to enable our due diligence processes to take place. In return, we have shared all reports with our suppliers for them to circulate with other clients and stakeholders in an attempt to reduce audit fatigue.

We do state in our Responsible Sourcing Policy that we reserve the right to cease trading with suppliers who demonstrate a persistent disregard for our standard. This year, we have terminated contract with one supplier.

International business

This year, we have started to develop baseline ethical and sustainability standards for our international partners and joint venture businesses. We are currently working on: the development of an updated Human Rights Policy, (due to be published in early FY 18/19); a set of baseline standards that Whitbread partners and franchisees will need to commit to implementing with regard to human rights, including modern slavery and forced labour; and, guidance documents to support them meet those standards within their own business and geography.

We have also developed an international supplier management checklist to begin measuring how responsible sourcing standards are managed across our partners' supply chains.

We look forward to reporting our progress and key results of this work in next year's report.

Team members

We have approximately 50,000 team members working across the Whitbread brands, directly employed by Whitbread. As a hospitality business, we recognise that ensuring these people are treated fairly, are empowered to develop their skills and fulfil their potential as future leaders is what allows us to continue delivering high standards for our customers every day – and this is at the heart of our strategy.

Having direct control over how the people working in our hotels, restaurants and wholly owned coffee stores are employed, reduces the risk that someone working for our business might be a victim of modern slavery. However, we still ensure that we do all we can to mitigate that risk.

Human Trafficking Policy – This is available and has been communicated to all employees. The following Policies are embedded throughout our organisation and support the mitigation of any risk that a team member may be subject to modern slavery.

Speaking Out Policy - Outlines the process we follow when our employees raise a concern about wrongdoing, danger or breach of the 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 line, 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 in order 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 provide equal opportunities and embrace diversity throughout employment. 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 Whitbread'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 Whitbread will avoid discrimination during document checks. Whitbread will not employ anyone who cannot demonstrate their legal right to work in the UK. Checks are carried out on all team members to ensure the documents provided are genuine and fit for purpose, in line with legislation. Training is available on Academy Online to ensure managers are provided with the tools and skills to carry out document checks to ensure we are only employing individuals who have the right to work in the UK. Managers also have access to the Employee Relations helpdesk for further support and guidance.

Code of Conduct - This document outlines the way we do things at Whitbread 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 Speaking Out, Grievance and Equal Opportunities, ensuring our employees have an ongoing awareness of the policies Whitbread has in place to support them. It also explains our Global People Principles which set out through our values, how we intend to do business everywhere. This includes working responsibly and ethically to be a positive part within the communities that we operate within.

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 General Counsel. Our Code of Conduct is embedded through training.

Guests

We take the potential issue of child or adult exploitation (sexual or otherwise) very seriously. We recognise that there is a risk (as with all hospitality companies) that one of our hotels might be used for the sexual exploitation of adults or children, or the harbouring / movement of adults and children for the use of forced labour. Whilst we recognise that this is a risk which we cannot always directly control, there are some actions we can take (including training) to make sure that our own team members are properly trained to spot the signs of exploitation and empowered to act on any suspicions quickly and effectively.

In order to further improve our hotel team members' understanding of the potential issue of Child Sexual Exploitation (CSE) our CSE Awareness Raising Training was revised and strengthened in Q1 of 17/18 and issued to all hotels to coincide with the National Child Sexual Exploitation Awareness Day in March. The training provides team members with guidance on the potential signs of CSE and the action to take if they have any concerns. All team members were required to complete this training. In support of the training all hotels were issued with CSE Awareness posters to remind team members of how to report any concerns.

We and our team members within our premises will cooperate with the police and other authorities to seek to tackle the issue and address any concerns which may be raised.

Modern Slavery training across our Operations

Recognising the risk that our sites, particularly our hotels, could be used as a place for trafficked individuals to be harboured or exploited, we have taken steps to empower our team members to respond in the right way if they suspect that something is not quite right.

Continuing our partnership with Stop The Traffik, we developed a training programme for team members working across our hotel sites. The training was delivered through a series of working groups, supported by an elearning module and focused on raising awareness of human trafficking and modern slavery, empowering our

teams to identify indications of human trafficking abuse in our sites and provide them with the tools to report it quickly and effectively.

Completed by team members working all over the country, including our Operations Directors, Operations Managers, General Managers and team members, the training has received positive response across our estate. Whilst we recognise that this cannot eradicate the risk that our sites may be used for the purposes of harbouring victims, our ambition is that our team members are as equipped as possible to spot, and stop it happening wherever possible. Since its completion has already resulted in team members effectively reporting a suspected incident identified in one site.

'The training really brought to life how modern slavery can be run under our noses. I took away two key things: firstly, the need to stay alert to the signs of modern slavery in my life – personal and professional, given it can happen in many places in modern Britain. Secondly, the horror for the victims means if I suspect it could be happening then I have a professional, and frankly moral, obligation to follow up and investigate as much as is possible. The training has made a real difference - our teams are talking about it and staying aware of it as an issue'

Operations Director, Premier Inn

'The training has raised the teams sensitivity to the issue and has led to the right questions being asked when they discovered a potential problem. I am now confident that the team are confident to challenge a situation that does not seem to be a 100% right. They now know what to do and who to contact. What a great piece of training, thank you!'

Area Manager, Premier Inn

'I truly believe that the training has raised awareness and a change of thinking'

Head of HR Operations, Premier Inn

'Very interesting, very eye opening... the numbers were staggering in terms of the number of people trapped in modern slavery in this day and age. We need to be very conscious of that and I'm quite proud of our teams who deal with regular occurrences and in most cases, are not afraid to raise the alarm if their 'gut' tells them something isn't quite right.'

HR Business Partner – Premier Inn, Joint Sites North

Further training planned for FY 18/19

Due to the success of our team member training across Premier Inn operations, we are scheduling a roll out across all remaining operations teams in our Restaurant brands and Costa stores.

We are also developing training across our HR function to include a toolkit and guidance on interviewing potential victims and spotting the signs that someone may be in a vulnerable situation. We look forward to reporting progress in next year's report.

4. How we collaborate and develop

We recognise that managing risk of modern slavery is complex and we value the positive impact that collaboration and partnership can have in tackling these issues, both across our supply chain and with other stakeholder groups. We are a member of the International Tourism Partnership (ITP) part of the Business In The Community (BITC) network which provides support and collaborative responses to sector specific challenges and we are been proud to be members of the new Stop Slavery Hotel Industry Network and have supported the development of its Framework for Working with Suppliers.

Throughout the year, we have continued our partnership with Stop The Traffik who continue to provide specialist knowledge and expertise supporting our team member training and specialist issue remediation

wherever required. We look forward to continuing this partnership into the next year as we widen the scope of the training programme to other business functions.

Working collaboratively with our supplier network allows us to develop a deep understanding of how compliance with our Policy works in practice. We review our Responsible Sourcing Policy on an annual basis and are continually improving and developing our strategy as we learn from our compliance and remediation actions.

5. How we measure our performance

As part of our annual performance review, we measure:

- 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 remediated through audit

Whitbread's 16 / 17 Modern Slavery Statement can be found [here](#).