

Engagement objectives

Environmental



Food nutrition

Social



Supply chain



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Goods and Retail

Whitbread PLC operates hotels, restaurants and coffee shops. It owns Premier Inn, which is the largest hotel brand in the UK, with over 785 hotels. The company is also growing the Premier Inn brand in the Middle East and Germany.

Whitbread's restaurant brands include Brewers Fayre, Beefeater Grill, Bar+Block and Table Table. It also owns Costa Coffee – the largest coffee shop chain in the UK and the second largest globally, with over 3,800 coffee shops across 32 markets and over 8,000 Costa Express self-serve units. In August 2018, it announced the sale of its Costa business to The Coca-Cola Company, which is expected to complete in the first half of 2019.

Background

The company sources a wide range of commodities and raw materials, including palm oil, timber, coffee and cotton, from suppliers worldwide. As a result, it is exposed to a number of sustainability and social issues. It is therefore important for the company to have transparent and robust supply chains.

With scrutiny and expectations of companies regarding nutrition continuing to grow, it is also important for Whitbread to have a nutritional strategy that promotes the health of its customers, meets changing demands and protects its reputation.

Our engagement

In a meeting with the sustainability director in 2015, we challenged the company on its approach to its supply chain. Although Whitbread was taking some positive steps, including sending a questionnaire to all of its suppliers and establishing non-negotiable standards of supply, we believed the company needed to go further. We were therefore pleased to hear it was planning to implement further measures, including a more comprehensive risk oversight process and systematic supply chain audits.

We also raised concerns about the risks of a major shift in the volume of food purchases or damage to its reputation, driven by potentially negative perceptions of the nutritional content of its food and drink. The company acknowledged this challenge, which it had identified as a priority, although it had yet to develop a comprehensive food nutrition strategy.

We held a number of further meetings with the company over 2015 and 2016, next seeking an update on these issues in 2017, probing on progress to date, particularly with regard to sugar reduction and securing product accreditations. The company reported positive developments, such as including customer wellbeing as one of the pillars of its corporate social responsibility strategy. It had also set sugar reduction targets, which it has since achieved earlier than planned, and introduced more healthy options on its menus. In addition, Whitbread reported that it had continued to make good progress in increasing the transparency of its supply chains and securing accreditation for its main commodities.

Changes at the company

Since we began our engagement with Whitbread, the company has made significant improvements to its supply chain practices and approach to nutrition.

In a follow up meeting with the sustainability director in 2018, we heard that the company has now mapped and prioritised all of its suppliers according to risk, including second and third tier suppliers for some materials. It has also implemented best practice audit processes, supplementing these with strong supplier relationships and training for its technical teams to identify modern slavery risks when working with suppliers.

The sustainability director also reported that the company is on track to achieve its commitment to secure external accreditation for its main commodities by 2020.

In addition, it is notable that in 2017, the company's responsible sourcing strategy was recognised by the Marine Stewardship Council (MSC), when Premier Inn became the world's largest MSC-certified hotel and restaurant chain. Whitbread was named 'Newcomer of the Year' in the MSC UK Awards in the same year.

Furthermore, Whitbread has made significant progress on nutrition. It has set sugar and salt reduction targets, aligned with Public Health England guidance; reformulated products across its food and drink range; introduced healthier options and clearer nutritional labelling; and established more responsible advertising practices. The company is now focused on becoming a leader in healthy children's food options in its restaurants division.

Case studies are shown to demonstrate engagement, EOS does not make any investment recommendations and the information is not an offer to buy or sell securities.

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