

MULTIPLIER

Modern Slavery Statement
– 2017



The Context

Matrix are aware that incidents of Modern Slavery practices, including forced labour, child labour, human trafficking and exploitation have been uncovered across the globe in both developing and developed Countries.

Consequently, the UK government passed The Modern Slavery Act through Parliament in 2015 designed to tackle modern slavery issues in the UK and address the role of businesses in helping to prevent modern slavery practices from occurring in their wider supply chains. Although Matrix is below the financial threshold of £36 Million turnover per annum that requires publication of a Modern Slavery Statement, we feel it is important to use our position as a thought leader in the field of ethical sourcing to highlight our due diligence processes in relation to slavery and human trafficking as positive examples for others to follow.



1. The organisation's business, its supply chain and structure:

BUSINESS - Matrix are a supply chain management and multi-category product procurement specialist, carrying out a wide range of services, including Product Design; Trend Intelligence; Sourcing; Partnership Marketing; Export and Logistical Management and Quality Assurance, to the 4 pillars of our business:

Retail, Airline Amenities, Promotional Merchandise and Beauty.

Founded in 1996, Matrix currently employs a staff of around 110 passionate and creative individuals based in either our Head Office in London; sourcing office in Hong Kong or QC and Ethical office in Dongguan, China.

SUPPLY CHAIN - Matrix are a small to medium sized organisation working with approximately 40 different overseas suppliers currently, 38 of which are located in China, including our 10 core factories, with 1 supplier in India and 1 in Thailand.

As a full and active member of the Ethical Trade Initiative (ETI) and holder of the ETI 'Achiever' status, Matrix is committed to ensuring a high standard of ethical and environmental trade practices are adhered to in our global business practices, including the provision of safe working conditions and the protection and improvement of workers' rights.

STRUCTURE - Responsibility for ensuring Matrix commercial strategy and business practices are aligned with its due diligence measures designed to monitor the risks of modern slavery, reside with the Matrix Senior Management team, including our CEO, Chief Operating Officer and Chief Commercial Officer in UK and our Head of Operations in Hong Kong. It is the on-going commitment of the Senior Management Team to ensure that Matrix strategy and processes continue to reflect our core values of sustainability, transparency, shared prosperity and continual improvement.

Implementation of due diligence procedures 'on the ground' are the responsibility of our dedicated Ethical Team which includes our Supplier Relationship Manager in UK and Senior Ethical Trade Manager and Senior Audit Manager in China.

2. Policies in relation to modern slavery and human trafficking:

INTERNAL POLICIES - All Matrix staff take up their posts freely and ID checks are undertaken by the HR Team in London or Hong Kong to validate the identity and status of each employee before work commences.

Matrix staff also receive a contract of employment from the business which outlines the expectations of their role along with information on working hours, payment terms, holiday entitlement, benefits and termination or resignation process.

Matrix staff are also expected to abide by our company rules, procedures and policies which are documented in the Matrix Employee Handbook. The Employee Handbook includes comprehensive Equal Opportunities, Disciplinary and Grievance procedures which are shared with all new employees and updated regularly by the HR Team in UK and Hong Kong in line with current legislation.

The Company's equal opportunities policy aims to promote equality, harmony and respect amongst individuals and to eliminate discrimination, harassment and victimisation of all kinds from its business practices.

The Grievance Policy is also in place to ensure that all employees are treated fairly and to help ensure that any concerns related to work, the working environment or working relationships are resolved satisfactorily for both the employee and the Company.

Matrix also operates a flexible approach to working hours which enables all Matrix employees to achieve a healthy work / life balance and includes a provision for "decent mental breaks" such as days off for birthdays and Christmas shopping in addition to paid annual leave.

EXTERNAL POLICIES - All Matrix suppliers are required to adhere to our General Terms & Conditions (LINK) which includes a firm commitment in clause H that ordered goods shall be manufactured in accordance with the Ethical Trade Initiative (ETI) Base Code and suppliers shall follow the 9 basic principles of the Code at all times.

Core suppliers are also expected to observe our Matrix Ethical Code of Conduct (LINK) which enshrines the principles of the ETI Base Code and reflects the international standards set out in the International Labour Organisation (ILO) Conventions:

- Suppliers must not use forced, bonded or involuntary labour and workers must not be obliged to surrender identity papers or pay a financial deposit as a condition of work.
- Workers must not be subject to physical or verbal abuse, threats or intimidation.
- Workers must not be required to work excessive hours and all workers should enjoy sufficient rest periods.
- Suppliers must not employ child labour and use workers under the age of 15, or the minimum legal working age in the country in question, if higher than 15. If child labour is identified Suppliers must establish appropriate remediation measures and implement effective systems to prevent the use of child labour in the future.
- Suppliers must provide safe and hygienic working conditions for all workers with sufficient and accessible fire exits from all production, warehouse and dormitory buildings. Workers must also be provided with clean and hygienic washroom and canteen facilities and have regular access to drinking water.

- Workers' must not be required to operate dangerous machinery and suitable Personal Protective Equipment should be provided at all times. The structure and layout of all buildings should be compliant with local regulations and designed to avoid any risk to workers' life or limb and all hazardous chemicals should be stored in appropriate conditions with suitable labels and secondary containers to prevent spillage. If serious or fatal accidents have occurred then Suppliers will be required to demonstrate to Matrix APA that all appropriate steps have been taken to avoid the risk of similar accidents occurring in future.
- Dormitories and living accommodation, if provided, must include sufficient fire alarm systems and fire exits and must not be adjoined in any way to production and storage areas.
- Suppliers must pay living wages that are at least compliant with local minimum wage regulations and sufficient to meet basic needs.
- Suppliers must maintain accurate employment records for all employees, including current and resigned temporary and permanent workers, and be transparent and cooperative during the inspection of wages and working hours' records.
- Bribery, corruption and similar unethical business practices are not tolerated by Matrix APA and Suppliers must not engage in such activities.

3. Due diligence processes in relation to modern slavery and human trafficking:

Matrix has due diligence processes engrained throughout each stage of its sourcing and procurement process including the selection, on-boarding and performance management of suppliers which helps ensure the suppliers we work with have a lower risk of harbouring modern slavery practices.

ON - BOARDING PROCESS - The traditional on-boarding process for Matrix suppliers takes up to 3 months to complete and includes the following stages:

- Desk-based Research by supply chain team in UK and sourcing team in Hong Kong to evaluate supplier on price, suitability of product range, quality of samples, geographic location and ethical credentials such as SEDEX membership or a Licensor approved facility.
- Supplier visit by the Sourcing Team to complete Supplier Profile Form (SPF) on production capabilities, capacity and quality control systems.
- Supplier visit by the Ethical Team to evaluate suitability for third party auditing and robustness of HR systems and recruitment processes.
- Third party audit (if required) and preparation of Critical Action Plan (CAP) to address any Non-Compliances.
- Review of SPF, audit report and CAP by Ethical Team and external customers (if required).
- Supplier signs Matrix Terms & Conditions and Code of Ethical Policy.

AUDIT VALIDATION (Matrix and Third Party) - During the past two years, the Matrix Ethical Team co-ordinated and carried out 30 risk assessments and 37 factory audits for validation purposes during which 1,123 Non-Compliances were noted of which 855 were resolved satisfactorily. The majority of the Non-Compliances related to minor Health & Safety issues requiring practical remedial action. Non-compliance issues which could not be resolved completely typically related to long term issues such as working hours, overtime, social insurance engagement or environmental impact which we are continually striving to improve.

RED FLAG TRAINING - The Ethical Team conduct routine training for Matrix staff in UK and Hong Kong to enable them to identify the 'red flags' of potential modern slavery practices taking place at factory sites such as:

- un-cooperative attitude of management;
- weak and unresponsive management systems;
- inconsistent record keeping or 'perfect' audits;
- reliance on sub-contracting or temporary workers;
- restricted or locked areas noticed during factory tours.

CONTINUOUS MONITORING & EVALUATION - Core suppliers are also required to submit monthly wages, working hours and productivity data to the Ethical Team in China for both internal analysis and external review by customers. The supplier data is validated in one to one worker interviews and record checks carried out during irregular site visits and used to identify Key Performance Indicators (KPIs) which can be fed back to suppliers to highlight potential training opportunities or risks of potential modern slavery practices.

For example, during the past year Matrix training modules prescribed to our suppliers reached a total of 125 Line Managers and 3,950 workers in China. Consequently, 60% of core factories engaged in our program of continual improvement now have increased average wages; 80% of workers at core factories now benefit from increased rest days and 100% of core factories provide robust, sustainable and respectful working conditions for workers.

To help us go 'beyond audit' and gain a clear understanding of supplier needs, Matrix core suppliers also undergo periodic assessment by the Ethical Team who undertake reviews of worker grievance and feedback reports as well as conducting worker satisfaction surveys in which examples of good practice can be acknowledged and the potential red flags of modern slavery practices identified.

DISCIPLINARY MEASURES - Matrix aims to have long term relationships with all on-boarded suppliers to encourage honesty and openness and a sense of partnership in addressing long term issues together. As a result, Matrix has been working with many suppliers for over 10 years. However, where a supplier is unable to maintain their commitment to the process of continual improvement; if critical issues are identified without immediate action being taken or the product quality is just not good enough, the supplier may be blacklisted and removed from the list of approved suppliers available to all Matrix staff. In the past 10 years for example, 21 suppliers have been blacklisted, the majority during the on-boarding process for reasons of product quality or poor customer service.

4. The parts of our business and supply chain where there is a risk of slavery and human trafficking taking place and the steps taken to assess and manage the risk?

Matrix has mapped its supply chain and identified that the vast majority of our suppliers are based in China.

Matrix also understands from our discussions with NGOs and working groups such as the Sedex Advanced Auditors Group in China (AAG) that the most common modern slavery risks for factories in China are those arising from forced labour; forced overtime; child labour and limited opportunities for collective bargaining, especially in higher risk heavy industries such as construction, coal mining and brick making and in notorious higher risk locations such as Jiangsu Province and Shanxi Province.

To address the potential risks, Matrix works closely with suppliers on a long term basis to help them control working hours during busy periods and plan production more effectively which reduces the need for excessively high or forced overtime and avoids the need for higher risk transient or temporary workers.

For example, the Ethical Team organise regular Productivity and Efficiency training with factory managers and department supervisors to help establish realistic production plans and implement working hours alarm systems. We also carry out analysis of recurring production problems and highlight the importance of good QC processes to reduce wastage in the supply chain and reduce the need for re-working. We also provide guidance on line balancing in the production areas to help each factory achieve the most efficient layouts to help increase output.

By addressing the root cause of issues which could lead to excessively high working hours or place workers under pressure to carry out involuntary overtime, Matrix helps our factories to improve worker satisfaction, reduce worker turnover rate and avoid the conditions in which modern slavery practices could appear.

Case Study

In December 2015, the Matrix Ethical Team implemented a Productivity and Efficiency project together with ethical consultants Impactt, at one of our core factories in China with the aim of linking production improvements with reduced working hours and increased pay for workers. The team then rolled out the learnings to six additional factories, identifying wastage in the production processes and flagging up recurring production problems and quality issues whilst supporting the factories step by step through regular on-site visits and individual training workshops. Consequently, after the training program workers at all seven factories were able to produce more goods in the same amount of time with a lower re-work rate which enabled them to increase their wages.

To help address resistance to collective bargaining in China, Matrix works with suppliers on a long term basis to encourage the mechanisms for regular worker-management dialogue and encourages each factory to establish effective worker-management committees.

In June 2015, Matrix partnered with the Centre for China Employment and Labor Relations and engaged 3 China factories in a Worker-Management Committee (WMC) project.

The topics covered included classroom based modules on:

- What is a Worker-Management Committee (WMC)?
- Why do we need to establish the WMC?
- How to establish two-way interactive communication systems?
- How to conduct effective WMC Meetings?

Following completion of the training modules, all 3 factories established their own WMCs which have been effective in giving a real voice to workers in their discussions and negotiations with management.



OBSTACLES - Matrix appreciates that workers at China factories could be reluctant to 'speak up' about incidents of modern slavery practices, especially if they feel their job could be at risk by doing so. To help combat this issue, the Ethical Team conduct one to one interviews with workers during irregular visits and encourage the use of alternative means of worker feedback. For example, Matrix recently joined with a major retail customer to implement a telephone based hotline program which workers could use to make anonymous calls to discuss any concerns they might have about their working conditions and receive advice from independent advisors.

Matrix has also identified a number of other obstacles to effective action on identifying and addressing modern slavery issues in supply chains including:

- Duplication of customer codes and requirements causing fatigue amongst suppliers and wastage of Matrix resources;
- Culture of fear and unrealistic customer demands which discourage suppliers from showing the true situation for fear of losing business;
- Limited resources in China foWr such a big Country;
- Reluctance of suppliers to share information on lower tiers;
- Growing market for perfect records and fake audits;

Matrix tries to address these issues on an ongoing basis by encouraging a unification of codes during dialogue with customers and stakeholders; promoting a beyond audit approach with customers and helping to improve understanding amongst buyers and peers on the correlation between unrealistic demands and abuses of worker's rights.



A MULTI- LAYERED PROBLEM - During the mapping of our supply chain in China, Matrix were not surprised to find that incidents of modern slavery could not be easily detected amongst the top tier of suppliers. The due diligence processes we have in place such as irregular visits to factories; carrying out one-to-one or group interviews with workers and carefully checking wage, employment and resignation records are already quite advanced in checking for potential problems such as:

- Making sure that workers in core factory sites receive a contract of employment in line with local government legislation;
- Ensuring working hours are not excessive and overtime is voluntary;
- Making sure that involuntary charges are not enforced for accommodation (excluding utilities);
- Only verbal or written warnings are used instead of fines for disciplinary measures;
- Ensuring that documents belonging to workers are not permanently retained (apart from ID copies and personnel files as required by law).



However, Matrix appreciates that a bigger risk of modern slavery practices could remain hidden within the lower tiers of it's supply chain at occasionally used or sub-contracted factories with low order levels; raw material vendors or logistics suppliers who are often sheltered from customer contact and harder to reach.

Matrix will therefore seek to focus it's efforts in future on trying to persuade more non-core suppliers to engage in our training programs and continue to refine our sourcing model to exclude suppliers who rely heavily on out-sourced activities.

We will also continue to try to reach the lower tiers of our supply chain as we build trust with suppliers and if incidents of modern slavery can not be uncovered with the limited resources of our small team, we will carry on acting as a positive force for change through participating in organisations such as the Sedex Advanced Auditors Group (AAG) and sharing our concerns with other stakeholders who may have a louder voice or broader reach.

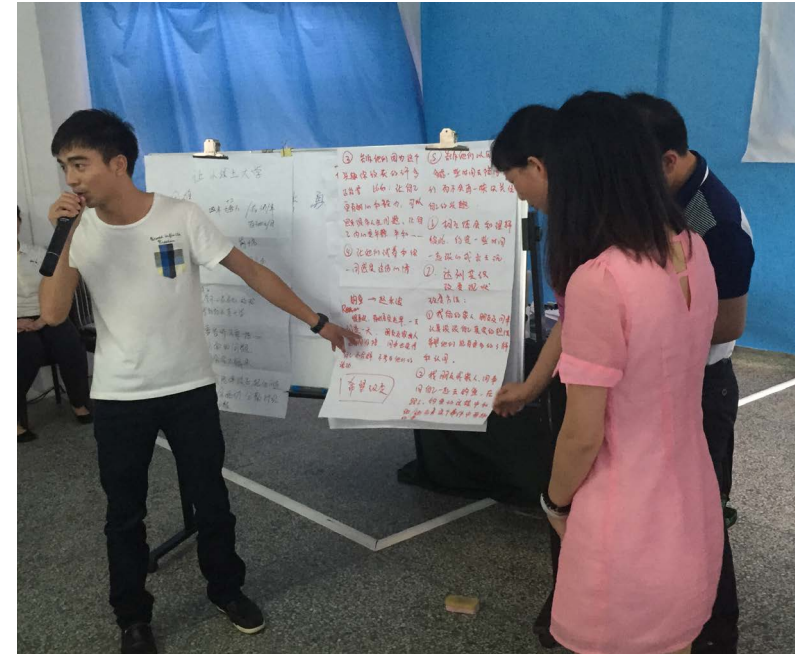
Case Study

Matrix Ethical Team noticed child labour cases during visits to two non-core suppliers during the past year.

In the first instance, the worker was 15 years old and working in the school vacation. The Ethical Team worked with the factory to ensure they stopped employment of the young worker immediately; ensured they were paid any outstanding wages; provided safe transport back to their home and offered the opportunity of employment again when they turned 16. In addition, advice was given to the factory on how to improve their recruitment process and ID checking procedure to help them avoid this problem in future.

In the second instance, the child was accompanying their parents to the factory during a school vacation as no alternative childcare options were available. The Ethical Team highlighted to the workers that the factory was not a safe place for a child to be; helped to define the prohibited area for children in the factory from a health and safety perspective with management and ensured the child was safely returned home to the guardian.

Matrix now plans to implement a childcare based community program at one of our core factory sites which will enable workers to share childcare duties during school vacations if no alternative arrangements are available and establish a monitored child safe space close to the factory. If the project is successful, the program could then be extended to other factories and we will report back on further progress in 2017.



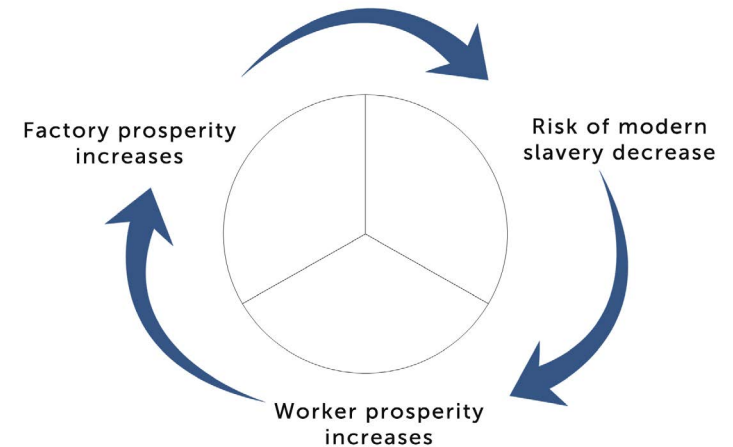
Linked Prosperity

Matrix recognizes an inherent link between the prosperity of workers in its supply chain to the prosperity of the factories to the prosperity of Matrix as a business.

As worker satisfaction and prosperity levels improve so the capacity of each factory increases which means Matrix has a more sustainable, transparent and effective supply chain for it's customers. This notion of linked prosperity also has a direct link to the way in which we address the risks of modern slavery as by increasing the prosperity of workers and factories through education and training by our Ethical Team, we can minimize the conditions in which modern slavery practices can take hold and flourish.

During 2017, Matrix will also implement a new suite of improved supplier KPIs designed to ensure that we get at the heart of the genuine and most up to date issues facing workers and factories in China today. The new KPIs will help us to shift the focus from satisfaction to 'prosperity' and by focusing on carefully selected Worker Prosperity Indicators (WPIs) and Factory Prosperity Indicators (FPIs), we hope to be able to offer valuable performance feedback to suppliers and identify the most urgent and pressing training needs.

Matrix are also currently working on an innovative new plan to help ensure that the WPI and FPI data we gather is as 'live' as possible through use of a bespoke mobile phone application due for launch in Spring 2017 which could be made public and shared with other stakeholders in our supply chain. We will also be partnering with digital label company, Knowlabel, to explore how NFC chip technology can innovate the data collection process within factories and uncover new insights on worker satisfaction and efficiency levels.



5. The training available to staff working in supply chain management, those in the rest of the organisation and suppliers?

Matrix Medicine Cabinet - Matrix believes that through targeted and gradual application of prescriptive training modules with it's suppliers, the risks of modern slavery issues occurring will be reduced as workers are retained and developed whilst production capacity is grown and management and HR processes become more robust and sustainable.

Consequently, all core Matrix suppliers are required to engage in our programme of continual improvement which is supported by the following training modules:-

1. Fire Safety Development of Health & Safety Systems
2. HR Management
3. Pay and Hours
4. Productivity & Efficiency
5. Worker – Management Dialogue
6. Worker Empowerment
7. Transparency and Engagement

The HR Management module is particularly effective in the fight against modern slavery practices as it provides factories with a clear picture of what good practice looks like by covering best practices for hiring, contracts of employment and record keeping procedures as well as regulations for working hours and overtime.

The Worker Empowerment and Worker – Management Dialogue modules are also key in helping to ensure a high level of worker satisfaction is maintained at Matrix core factory sites as workers are encouraged to communicate with management and feel more respected for the work they do.



PROSPERITY INCREASES

- Increased capacity
- Less re-working
- Improved production planning
- Workers retained / promoted
- Increased skill level through training
- Aspiration grows
- Increased respect for workers

- Worker empowerment
- Effective worker-management dialogue
- Stable workforce with long term contracts
- Demand for temp or agency workers reduced
- Less overtime required
- Reduced working hours for same pay
- Conditions for slavery practices reduced

MODERN SLAVERY RISKS DECREASE



The Ethical Team also run training programs on specific client requirements and the ETI Base Code which helps to maintain awareness amongst suppliers of current employment legislation and best practice.

The Ethical Team also conduct regular internal training sessions for the sourcing team in UK and Hong Kong on audit requirements, hot topics, updates to labour regulations and the standards of ethical behaviour that we expect to be adhered to by both Matrix and it's suppliers.

COLLABORATIVE PROJECTS- Matrix Ethical Team and Senior Management engage regularly with Non-Government Organisations (NGOs) such as the ETI, ILO and Oxfam plus stakeholder groups such as the Sedex Advanced Auditors Group (AAG) in UK and China to help ensure the business is well informed of current trends and risks of modern slavery and human trafficking.

Matrix also collaborates with a wide range of stakeholders on collaborative training programs and capacity building projects in China. For example, Matrix has recently taken the lead role on a combined ETI-ILO SCORE project together with 7 other retailers which will reach 15 China factories with 5 different training modules over the next 2 years.

To ensure a clarity of vision, Matrix has also placed our social and ethical aims at the heart of a new vision for the business which has been communicated to all employees:

“To revolutionise supply chains to bring true benefits to workers and consumers.”

To help ensure the realisation of this vision, Matrix also developed an accompanying mission statement to underpin all business activities and help keep the fight against modern slavery practices at the forefront of our minds as we move into 2017:

“Passionately improving the life of every worker, the efficiency of every facility and the experience of everyone in our supply chain from worker to consumer.”

Matrix will update this Modern Slavery Statement on an annual basis and we will report back again on our continued progress in addressing the risks across our global business in 2018.

Signed by:

A handwritten signature in black ink, appearing to read 'C Bradshaw', with a small dot at the end of the line.

Charlie Bradshaw – CEO, Matrix APA (UK) Ltd.