

# Matthew Algie Annual Statement

## Modern Slavery Prevention in 2016 Financial Year

### 1. Organisational Structure, our Business and our Supply Chains

- 1.1 Matthew Algie is primarily a coffee roaster, offering fresh, ethically-sourced coffees to the catering and retail sector in the UK and Ireland. We employ 220 people and over half of these are based at our roastery in Glasgow whilst the remainder are field-based to provide regular, face-to-face contact with customers. Our customers range from cafés to restaurants to pubs and contract caterers, and include both national retail chains and single-outlet independents.
- 1.2 Matthew Algie first started the business importing tea on the Clyde in 1864, over 150 years ago. Company strategy transitioned to focus mainly on coffee in the post-War era although we have continued to produce some own-brand tea. The business remained independently owned by the Matthew Algie family until August 2016 when Matthew Algie was acquired by the German coffee and food service business, Tchibo. Under this new structure, we have continued to operate as a standalone entity but with a new platform for further expansion and innovation.
- 1.3 Matthew Algie sources coffee to meet the requirements for our blends based upon quality, flavour, seasonality and sustainability. We have worked hard over the years to consolidate our supply chain and develop direct, long-term relationships with suppliers in coffee growing regions, though we buy green (unroasted) coffee through intermediary coffee traders who help facilitate the logistics and administration relating to our purchases. Our four highest volume origins are Peru, Honduras, Ethiopia and Indonesia. Our pioneering commitment to sustainability certifications complements our commitment to direct sourcing. We were the first roaster in the UK to launch a triple certified espresso (Fairtrade, Rainforest Alliance and Organic) in 2004 and more than 95% of the coffee we buy holds one or more of these certifications.
- 1.4 As well as coffee, Matthew Algie offers customers a convenient one stop shop, catering to all their needs. We mainly do this by working with selected third party suppliers to offer customers a range of machines and “everything but the coffee” via our Espresso Warehouse brand. Our Espresso Warehouse catalogue range includes teas, hot chocolate powders, flavoured syrups, delicious treats and barista kit. Our commitment to sustainability certifications is maintained in these non-coffee products, with many of the relevant supply chains, most notably for our tea and hot chocolate products, holding Fairtrade, Rainforest Alliance or Organic certification.

### 2. Assessment of Modern Slavery Risk in Our Business and Our Supply Chains

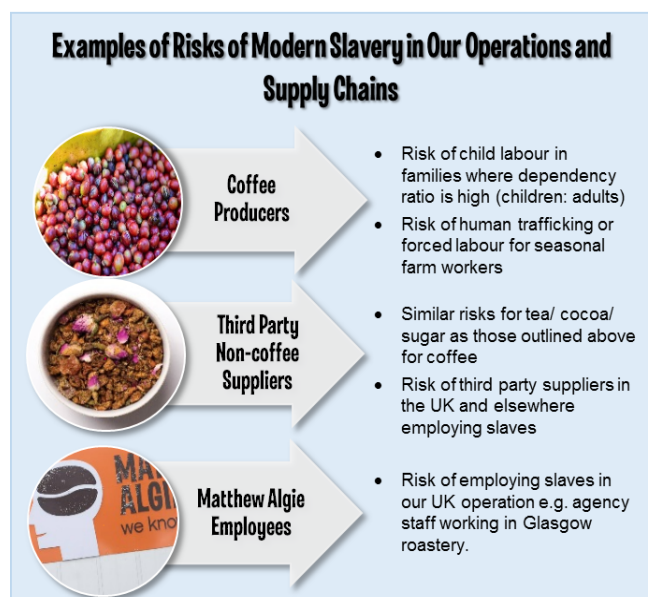
2.1 Matthew Algie holds human rights in the very highest regard and has a zero tolerance approach to all human rights violations across the business and our supply chains.

2.2 We understand modern slavery to be when a person:

1. holds another person in slavery or servitude,
2. requires another person to perform forced or compulsory labour, or,
3. arranges or facilitates the travel of another person with a view to them being exploited (human trafficking).

2.3 In 2016/17 we are undertaking a risk assessment to understand where there is highest risk of modern slavery in our business and our supply chain.

2.4 As demonstrated in the diagram, we are already aware that broadly, the key risks can be categorised into three main areas: with our coffee suppliers, with our third-



party non-coffee suppliers and our own internal employment practices. This existing knowledge has shaped our actions to date. We recognise that it is crucial to understand where the risks are when planning further interventions.

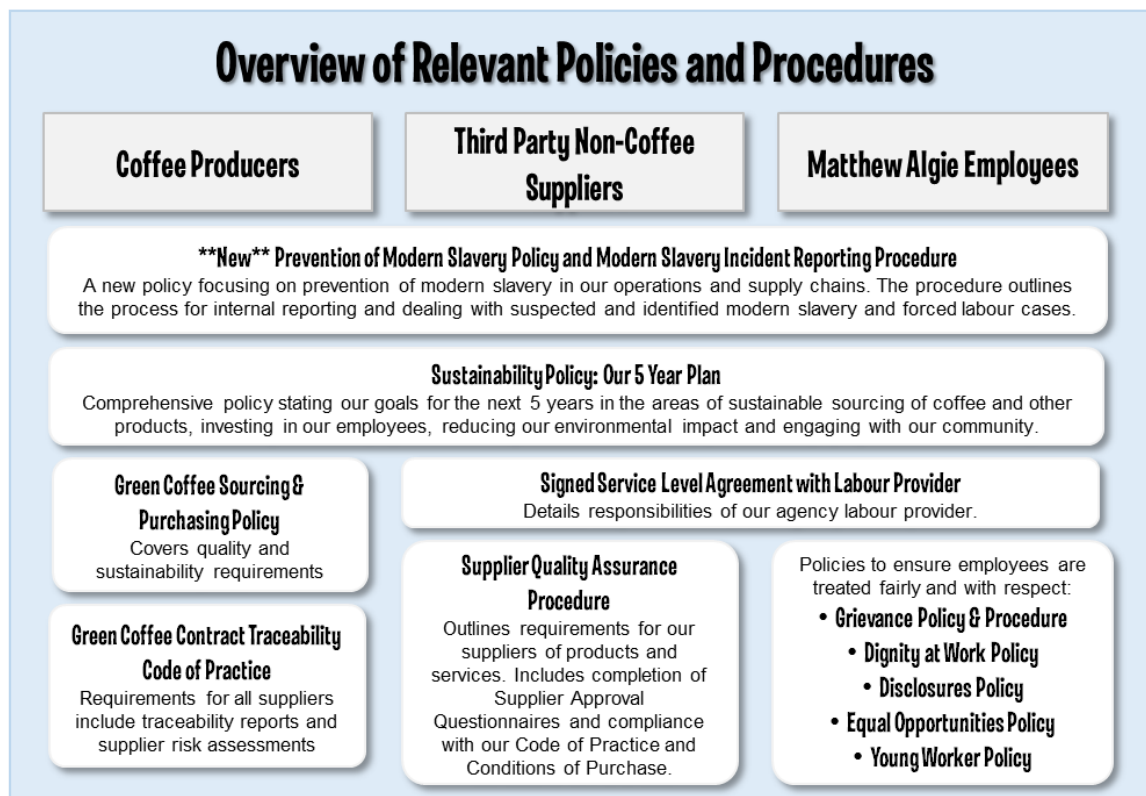
2.5 Correspondingly, in each instance where a risk is highlighted, we will be assessing our scope for affecting change and mitigating the risk. The volume of coffee we buy and the traceability and relationships we have with our suppliers means that, though the risks of modern slavery at origin may be relatively high, we can effectively influence and affect positive change to instil a zero tolerance approach. We have full influence over our approach in our own operations and can affect change where necessary to mitigate the risks in our own employment practices. We may have reduced leverage with some third-party non-coffee suppliers where, depending on the product, the volumes we purchase may be relatively small and the supply chains may be more complex depending on how our suppliers choose to operate. We continue to keep such aspects of our business under close review.

### 3. Our Policies in Relation to Slavery and Human Trafficking

3.1 The below diagram is designed to demonstrate our existing policies and procedures which are of relevance to the prevention of modern slavery in our own operations (our employees in the UK) and our supply chain (both coffee and non-coffee).

3.2 We have written a new *Prevention of Modern Slavery Policy* and a *Modern Slavery Incident Reporting Procedure*. These documents will be implemented in early 2017 and used to raise awareness internally of our approach to prevention.

3.3 Furthermore, we have reviewed and updated our *Conditions of Purchase* for suppliers. By communicating this revised document to suppliers in 2017 we aim to provide them with full clarity on our expectations with regards to preventing modern slavery in our supply chains. If a supplier is found to have been disregarding these conditions, for example if they are found to have been involved in modern slavery, we reserve the right to terminate the commercial relationship with them.




### 4. Our Due Diligence Processes in 2016 and Assessment of their Effectiveness

#### 4.1 Supplier Assessments and Use of Sustainability Certifications

4.1.1 As outlined above, coffee or non-coffee suppliers are required to comply with our criteria to ensure a zero tolerance approach to human rights abuses in our supply chains. Our

assessment at this basic level is guided by traceability/ risk assessment paperwork and completion of a self-assessment questionnaire. We build on this framework with extensive use of sustainability certifications and regular visits to key suppliers.

- 4.1.2 Knowing that the risk of human rights abuses is a concern in many parts of the world where coffee is grown, getting independent audits of social compliance has been a priority of ours for many years. Matthew Algie was the first coffee company to offer a Fairtrade espresso in the UK and this same blend became triple certified (Organic and Rainforest Alliance) in 2004. Triple certification ensures coffee is produced in line with social, environmental and economic sustainability criteria. We see the promotion of triple certified coffee as imperative to our business and we continue to develop that part of our coffee offering. Today, at least 85% of the coffee we buy is Fairtrade certified and much of this volume holds multiple certifications. Similarly, more than 95% of the coffee we buy holds either (or both) Fairtrade or Rainforest Alliance certification.
- 4.1.3 Our commitment to these certifications stretches into other products we source including the cocoa in our hot chocolate, tea for our own blends and in products made by third party suppliers and sugar. We source many of these products with at least one certification if not multiple.
- 4.1.4 For the purposes of prevention of modern slavery, both the Fairtrade<sup>1</sup> and Rainforest Alliance<sup>2</sup> standards include criteria relating to social practices on the farm. Detailed below are some of the critical/ core (i.e. essential) criteria and development (required in the medium term) criteria relating to prevention of forced labour which producers are compliant with.




**Core Criteria 3.3.5:** "You and the members of your organization must not engage in forced labour, including bonded or involuntary prison labour. You must explain this to all workers. "Forced labour" includes work for which a person has not offered him or herself voluntarily and they are forced to perform under the threat of any penalty. Slavery, misuse of prison labour, forced recruitment, debt bondage, human trafficking for labour and/or sexual exploitation are some examples of forced labour."

**Core Criteria 3.3.7:** "You and the members of your organization must not employ children below the age of 15 or under the age defined by local law, whichever is higher. When there is a high likelihood of child labour as defined by ILO Convention 138 (Minimum age) and ILO Convention 182 (Worst forms of child labour) occurring you are encouraged to address this and include actions that tackle root causes of child labour such as ensuring safe schooling of children in your Fairtrade Development Plan. In all circumstances child rights should be given primary consideration, as reflected in the guiding principles of the UN Convention of the Rights of the Child (UNCRC)."

**Core Criteria 3.3.10:** "If in the past you or your members have employed children under 15 for any type of work, or children under 18 for dangerous and exploitative work, you must ensure that those children do not enter or are at risk of entering into even worse forms of labour including hazardous work, slave-like practices, recruitment into armed conflict, sex work, trafficking for labour purposes and/or illicit activities."

**Development Criteria 3.3.11:** "If you have identified child labour as a risk in your organization (see requirement 3.1.2) you and the members of your organization must implement relevant procedures to prevent children below the age of 15 from being employed for any work and children below the age of 18 from being employed in dangerous and exploitative work."



**Critical Criterion 5.8:** "It is prohibited to directly or indirectly employ full- or part-time workers under the age of 15. In countries where the ILO Conventions have been ratified, the farm must adhere to Convention 138, recommendation 146 (minimum age)."

**Critical Criterion 5.9:** "The worst forms of child labour are prohibited"

**Critical Criterion 5.10:** "Any type of forced labour is prohibited, including working under the regimen of imprisonment, in agreement with International Labour Organization (ILO) Conventions 29 and 105 and national labour laws. The farm does not withhold any part or all of workers' salaries, benefits or any rights acquired or stipulated by law, or any of the workers' documents, in order to force them to work or stay on the farm, or as a disciplinary action. The farm does not use extortion, debt, threats or sexual abuse or harassment, or any other physical or psychological measure to force workers to work or stay on the farm, or as a disciplinary measure."

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<sup>1</sup> Fairtrade Standard for Small Producer Organizations, Fairtrade International, 2011. [http://www.fairtrade.net/fileadmin/user\\_upload/content/2009/standards/documents/SPO\\_EN.pdf](http://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/documents/SPO_EN.pdf)

<sup>2</sup> Sustainable Agriculture Standard, Sustainable Agriculture Network, 2010. <http://www.san.ag/biblioteca/documento.php?id=162>

- 4.1.5 Each of these certification standards uses independent auditors to confirm, on a regular basis, that the standards are being met at certified cooperatives or farm operations. We receive a notification either from the certification body, from the supplier or the intermediary coffee broker when a certified supplier is suspended after the audit and at that stage we can follow-up to understand the cause and whether it was related to human rights abuses.
- 4.1.6 Both the Fairtrade and Rainforest Alliance standards also contain critical criteria to ensure that all certified coffee cooperatives pay their workers at least the minimum wage. Complementary to this, we as the buyer are committed to paying a fair price for the coffee. Under the Fairtrade system, this specifically means paying the Fairtrade minimum price to cover cost of production, and any price premiums (e.g. for quality or certification(s)) on top of that. This commitment to paying fair prices for coffee reduces the incentives for coffee cooperatives to resort to the employment of slave labour.
- 4.1.7 Our regular visits to key coffee suppliers help us to fully understand the local context and consider the level of risk of modern slavery. Our Technical Director and our Green Coffee Buyer are trained ethical auditors and these individuals utilise their expertise and experience when visiting suppliers to assess and address any ethical issues as they arise.
- 4.1.8 In many cases we have come across instances of suppliers working in line with the Fairtrade Development Criteria 3.3.11 and undertaking risk mitigation activities. For example on a visit to Honduras in March 2016 we visited a supplier called Coagricisal who told us about a project they are running to raise awareness about the importance of farmer members not employing children. They have been working both on better equipping local schools and on changing farmer's perceived importance of children's education. As a result they have seen an increase in attendance levels at local schools. This poster about the project was displayed at their cooperative headquarters.
- 4.1.9 On one occasion in 2015, during a sourcing visit to Ethiopia we came across an issue with young children accompanying their parents to work and sitting with them as they sorted coffee beans – this represented a child labour risk. Whilst the supplier in question was actually outside of our direct supply chain, we took appropriate steps to highlight the problem to the cooperative management and other stakeholders. With further investigation, we understood that the dependency ratio (children: parents) in families in the area is high due to children being orphaned by the impacts of HIV/ AIDS and taken in by other relatives. In this scenario, parents find it difficult to finance access to education for every child in their care. We worked with the cooperative to review their approach to training and communications on child labour and with the assistance of other key stakeholders pushed forward some community-level engagement on child rights and child protection. Key learning outcomes from this case included that understanding the root causes for forced labour is very important to planning remedial actions, engaging the local community can be very helpful in policing and preventing further abuses, and, we should do our utmost to ensure the farmers in our supply chain receive a fair price for their coffee.
- 4.1.10 We would like to further support our suppliers in implementing programmes to prevent modern slavery where we understand the risk to be relatively high. Projects such as this will be born out of our detailed risk assessment and an analysis of the scope for collaboration in this area.

Poster on awareness campaign to prevent child labour at Coagricisal Cooperative



#### 4.2 Risk Mitigation Within Our Own Operations

- 4.2.1 The risk that we are unknowingly employing those trapped in forced labour is fairly low because of the checks that we have built into our recruitment process. Furthermore, a very small percentage of our roles rely on short-term agency labour, a type of employment which tends to be more vulnerable to exploitation by modern slavery culprits, and we aim to

transition any short-term agency positions to a permanent position within 12-weeks of employment if there is continued need after this time period.

4.2.2 Nevertheless, to ensure that we do not unknowingly facilitate modern slavery, we have taken a number of practical steps, including:

- Assigning board level responsibility for addressing modern slavery and human trafficking.
- Integrating project management into remit of Sustainability Committee so that there is regular review of progress by relevant managers.
- Reviewing and updating of the relevant internal policies and procedures.
- Protection for whistle-blowers.
- Ensuring all employees are able to communicate well in English even if it is not their first language.
- Stipulating certain requirements for our labour provider through face-to-face discussions and more formally in the joint Service Level Agreement (e.g. licenced with Gangmasters Licencing Authority (GLA)).
- Completing annual audits of our labour provider to assess compliance with best practice.

## 5. Training and Capacity Building for Staff

5.1 In 2015-16, individuals from our dedicated compliance team in the Technical Department have undertaken training specific to modern slavery prevention. The training has included:

- Tackling Modern Slavery in Global Supply Chains by Stronger Together (Sept 2016)
- Tackling Modern Slavery in UK Businesses & Supply Chains by Stronger Together (Dec 2015)
- A number of customer-specific workshops/ training events over the past two years.

5.2 We intend to use this hub of technical expertise within the business to build capacity in all parts of our operations and all departments. In particular, we recognise the need to embed a broader understanding of the issue so that managers/ supervisors and recruiters are well-informed of the prevalence of modern slavery in the UK and understand how we must play our part in prevention.

## 6. Relevant Key Performance Indicators

6.1 Our key performance indicators for 2017 financial year with respect to the prevention of modern slavery are:

- Complete a risk assessment to understand where there is highest risk of modern slavery in our business and our supply chain. Use the outcomes for this to inform our action plan.
- 100% of line managers are trained on the prevention of modern slavery in 2017.

6.2 In addition, the relevant goals stipulated in our Sustainability Policy 5-year plan are:

- 90% of coffee purchased consistently has at least one certification.
- Encourage “best practice” by 100% of our non-coffee suppliers by updating our supplier self-assessment questionnaires and code of practice.
- Ratio of agency to permanent staff is 1:50 respectively by 2021 and a *Temporary to Permanent* review meeting takes place for every agency employee within 12 weeks of employment.

## 7. Authorisation and Endorsement

7.1 This statement has been authorised by:  Date: 14<sup>th</sup> February 2017

(Ewan Reid - Technical Director)