

Matthew Algie Annual Statement

Modern Slavery Prevention in 2017 Financial Year

1. Organisational Structure, our Business and our Supply Chains

- 1.1 Matthew Algie is primarily a coffee roaster, offering fresh, sustainably-sourced coffees to the catering and retail sector in the UK and Ireland. We employ 240 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 Our founder, 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:
- holds another person in slavery or servitude,
 - requires another person to perform forced or compulsory labour, or,
 - arranges or facilitates the travel of another person with a view to them being exploited (human trafficking).
- 2.3 In 2016/17 we finalised our methodology for assessing the risk of modern slavery in our business and supply chains. To plan our actions effectively, we also needed to prioritise the areas that are of greatest importance to us as a business, and are within our sphere of influence. The considerations we included in the assessment are outlined in the information box.

Risk Assessment Considerations

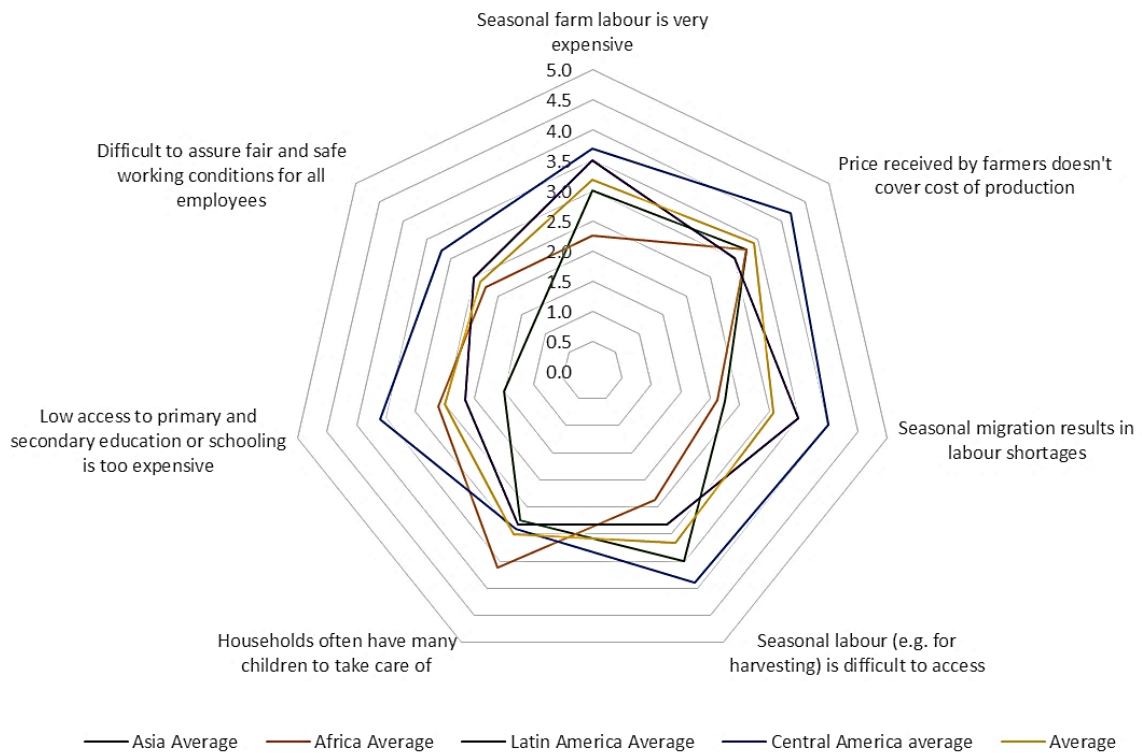
- Transparency/ complexity of supply chain & countries involved
- Industry & normal employment practices
- Mitigating factors e.g. independent audits & certifications
- Concerns previously raised & success of remediation.

Prioritisation Assessment Considerations

- Importance to Matthew Algie
- Influence of Matthew Algie
- Public visibility of our relationship
- Public accountability

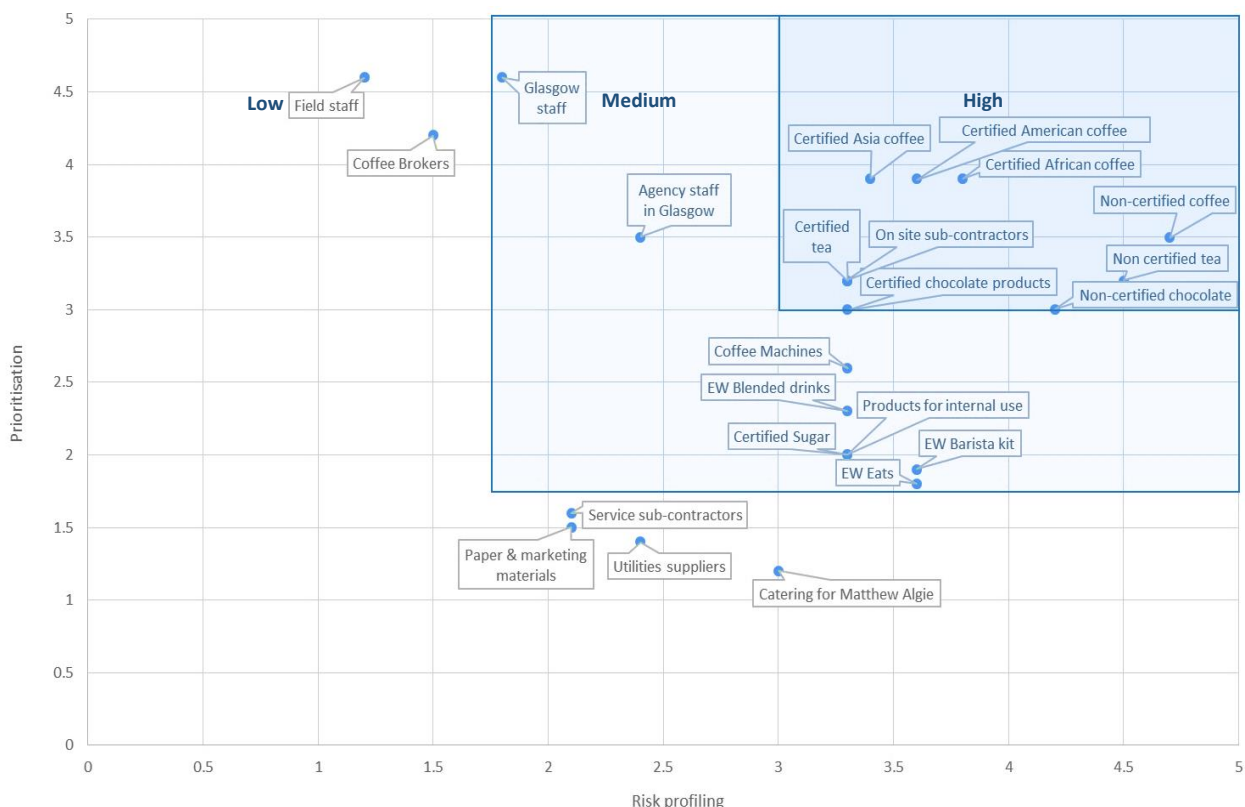
- 2.4 To complete the assessment, a quantitative score is assigned for risk and prioritisation based upon the relevant information available to us. For example for assessing the risk in our coffee supply chain we used our understanding of the local context, publicly available research/ reports and the risk data we collect. The data we have available for coffee suppliers includes our annual supplier survey, which asks our coffee suppliers to put a quantitative value against a range of sustainability “challenges”. A summary of the average results in 2016 and 2017 for the indicators relevant to forced labour is given in Chart 1. The data helps us to understand the relative risk of different types of modern slavery - the risk of child labour appears relatively high in East Africa, where there is a high dependency ratio and schooling is seen as expensive, whereas the risk of slavery in unregulated seasonal workers appears more likely in Asia or Latin America where this type of labour is seen as expensive and difficult to access. The highest ranking indicator across the board, and therefore a primary area of concern for us as a buyer, is the price received by farmers.
- 2.5 The supplier survey data gives us a helpful insight into the relative areas of risk, but because it is based on supplier’s perceptions it must be further qualified by information from other sources. This explains any discrepancies between the below results (Chart 1) and our overall risk profiling (Chart 2), such as the relatively high risk rating for African suppliers in our overall matrix when the perception scores are generally higher for Central and South American suppliers.

Chart 1 - Results of Supplier Perception Survey, Averages by region for 2016 & 2017 data



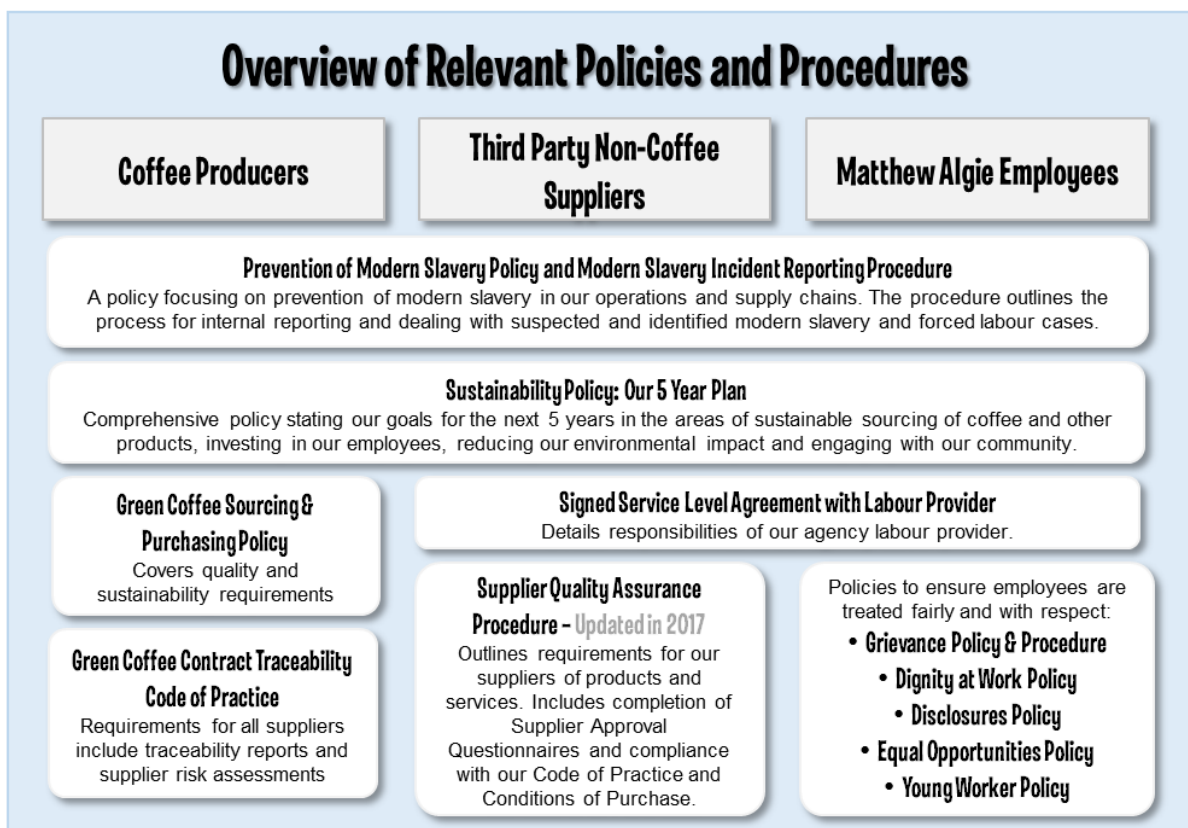
- 2.6 The outcomes of our assessment for 2017 are displayed in the below matrix (Chart 2) and help to categorise our approach in the different areas of operation. The results validate our need to concentrate primarily on our coffee, tea and hot chocolate supply chains, alongside the sub-contractors that we choose to work with on-site in Glasgow. Furthermore, of importance are the areas categorised as “medium”, including our Glasgow employment practices and in the supply chains for our other Espresso Warehouse products. We intend to review this information on at least an annual basis to ensure our actions remain relevant.

Chart 2 - Mapping the Risk Profile against Priority



3. Our Policies in Relation to Slavery and Human Trafficking

3.1 The below diagram explains our existing policies and procedures which are of relevance to the prevention of modern slavery in our own operations and our supply chain.




3.2 Our modern slavery specific policy and procedure was written in 2016 and formally endorsed in February 2017. The documents were introduced to the workforce at our bi-annual company update and through our sustainability e-newsletters and posters. Relevant individuals were trained on correct implementation of the policy and procedures and the documents have also been included in the induction process for all new employees.

3.3 Building on the changes we made to our Conditions of Purchase for suppliers in 2016, we have updated our supplier self-assessment questionnaires in 2017 to expand the section on ethical trading. The additional information requested ensures our chosen suppliers follow our best practice standards for protecting human rights, and facilitates risk profiling (e.g. collect data on percentage of staff employed under a temporary contract).

4. Our Due Diligence Processes in 2017 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 level is guided by traceability/ risk assessment paperwork and completion of a self-assessment questionnaire (updated in 2017). We build on this framework with extensive use of sustainability certifications and regular visits to key suppliers.
- 4.1.2 Consistent with our approach in 2016, at least 85% of the coffee we purchased in 2017 was Fairtrade certified and much of this volume held multiple certifications. Similarly, more than 95% of the coffee purchased held either (or both) Fairtrade or Rainforest Alliance certification. Our commitment to these certifications stretches into the other products we source including tea, cocoa and sugar.
- 4.1.3 For the purposes of prevention of modern slavery, both the Fairtrade¹ and Rainforest Alliance² standards include criteria relating to social practices on the farm. For specific information on the core (i.e. essential) criteria and development (required in the medium term) criteria relating to prevention of forced labour which Fairtrade producers are compliant with, please refer to our 2016 Statement, available in the resources section of our website.
- 4.1.4 An updated version of the Rainforest Alliance standard was published in 2017. However, as described in further detail in the information box, the standard has maintained as “critical” criteria, compliance with the International Labour Organisation’s conventions on prohibiting forced labour and child labour. In addition, a new improvement criterion has been added in expectation that certified farms implement a child labour prevention and monitoring plan.



Critical Criterion 4.1: “All forms of forced, compulsory, or slave labour are prohibited, including use of trafficked and bonded labour, labour by prisoners or soldiers, or the use of extortion, debt, threats, monetary fines or penalties. According to ILO Forced Labour Convention (No. 29) and Abolition of Forced Labour Convention (No. 105)”

Critical Criterion 4.6: “The worst forms of child labour are prohibited, including... [in accordance with] ILO Worst Forms of Child Labour Convention No. 182.”

Critical Criterion 4.7: “If young workers are contracted, records for each young worker are kept, including... [in accordance with] ILO Minimum Age Convention No. 138.”

Continuous Improvement Criterion 4.24: “The farm management and group administrator develop and implement a child labour prevention and monitoring plan after considering the results of consultations with community members and minors.”

¹ FAIRTRADE STANDARD FOR SMALL PRODUCER ORGANIZATIONS, FAIRTRADE INTERNATIONAL, 2011. WWW.FAIRTRADE.NET/FILEADMIN/USER_UPLOAD/CONTENT/2009/STANDARDS/SPO_EN.PDF

² RAINFOREST ALLIANCE SUSTAINABLE AGRICULTURE STANDARD VERSION 1.2, SUSTAINABLE AGRICULTURE NETWORK, JULY 2017. WWW.RAINFOREST-ALLIANCE.ORG/BUSINESS/SAS/WP-CONTENT/UPLOADS/2017/11/03_RAINFOREST-ALLIANCE-SUSTAINABLE-AGRICULTURE-STANDARD_EN.PDF

- 4.1.5 It was announced in 2017 that UTZ would merge with Rainforest Alliance and their new joint standard will be published in 2019. We will need to review this standard upon its release to assess the approach to modern slavery and child labour prevention.
- 4.1.6 As described in our 2016 Statement, our regular visits to key coffee suppliers help us to fully understand the local context and consider the level of risk of modern slavery. In 2017 we travelled to visit suppliers in Honduras, Nicaragua, Peru and Bolivia. Furthermore, it's our intension to travel to Uganda and Rwanda in early 2018.

4.2 Risk Mitigation Within Our Own Operations

- 4.2.1 The risk assessment and prioritisation exercise undertaken this year helped to validate the assumptions we had made previously about the priority areas within our own operations. Our relationship with on-site sub-contractors is the priority group for risk mitigation, followed by "medium" risk short-term agency labour employees and our Glasgow-based employees more broadly.
- 4.2.2 Our primary supplier who fits within the bracket of on-site sub-contractor is our third-party cleaning supplier. Therefore, we trained all of the cleaning staff who work in our Glasgow premises in modern slavery awareness and prevention in 2017.
- 4.2.3 Our mitigation activities with our short-term agency employees remains consistent with the approach described in our 2016 statement, available on our website.
- 4.2.4 Communicating the launch of our new *Prevention of Modern Slavery Policy* and *Modern Slavery Incident Reporting Procedure* internally has raised employee awareness of modern slavery at a broad level, and provided a clear means for reporting and dealing with suspected cases of modern slavery.
- 4.2.5 We had intended to provide training for line managers in modern slavery prevention in 2017 but unfortunately we had to postpone this training to 2018. In the meantime, the results of our risk assessment has evidenced that the risk is "medium" for Glasgow-based staff as opposed to "low" for field staff, meaning we have altered our target to prioritise training for line managers in Glasgow in 2018.

5. Relevant Key Performance Indicators

Type of Indicator	Performance Indicator	Progress in 2017	Intention for 2018
Stated KPI for 2017	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.	Completed risk assessment. Used findings to shape our priorities and indicators for 2018.	Annual review.
Stated KPI for 2017	100% of line managers are trained on the prevention of modern slavery in 2017.	Postponed until 2018.	Given outcomes of risk assessment, the training will be delivered solely to line managers in Glasgow.
Sustainability Policy 5-year Goal	90% of coffee purchased consistently has at least one certification.	Over 95% of the coffee we purchased.	Prioritise certified coffee wherever possible and monitor KPI.
Sustainability Policy 5-year Goal	Encourage "best practice" by 100% of our non-coffee suppliers by updating our supplier self-assessment questionnaires and code of practice.	Completed.	Continual monitoring of effectiveness of new documentation.
Sustainability Policy 5-year Goal	Ratio of agency to permanent staff is 1:50 (2%) respectively by 2021 and a Temporary to Permanent review meeting takes place for every agency employee within 12 weeks of employment.	Average monthly ratio (as a percentage) was 1.9% for 2017, meaning we have achieved our goal of keeping agency staff to below 1:50. Whilst most agency staff received a 12 week temporary to permanent review, we will do more to embed this as a company policy.	Continue to monitor these key KPIs. Formalise 12 week temporary to permanent review process.

New KPI for 2018	<i>Launch a Human Rights Policy, as an extension of our existing Ethical Trading Policy, with relevance to our internal operations and supply chains.</i>
New KPI for 2018	<i>In addition to our existing supplier requirements, we will define our best practice criteria for suppliers of non-certified coffee products, to include recommendations for the prevention of modern slavery.</i>
New KPI for 2018	<i>Train employees involved with buying/sourcing tea and hot chocolate products in modern slavery prevention and our expectations for suppliers.</i>
New KPI for 2018	<i>Encourage best practice by our agency labour providers by signposting to training opportunities and useful resources.</i>

6. Authorisation and Endorsement

6.1 This statement has been authorised by:



Date: 14th March 2018

Andrew Moyes
Chief Executive Officer