

# Matthew Algie Annual Statement

## Modern Slavery Prevention in 2018 Financial Year

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

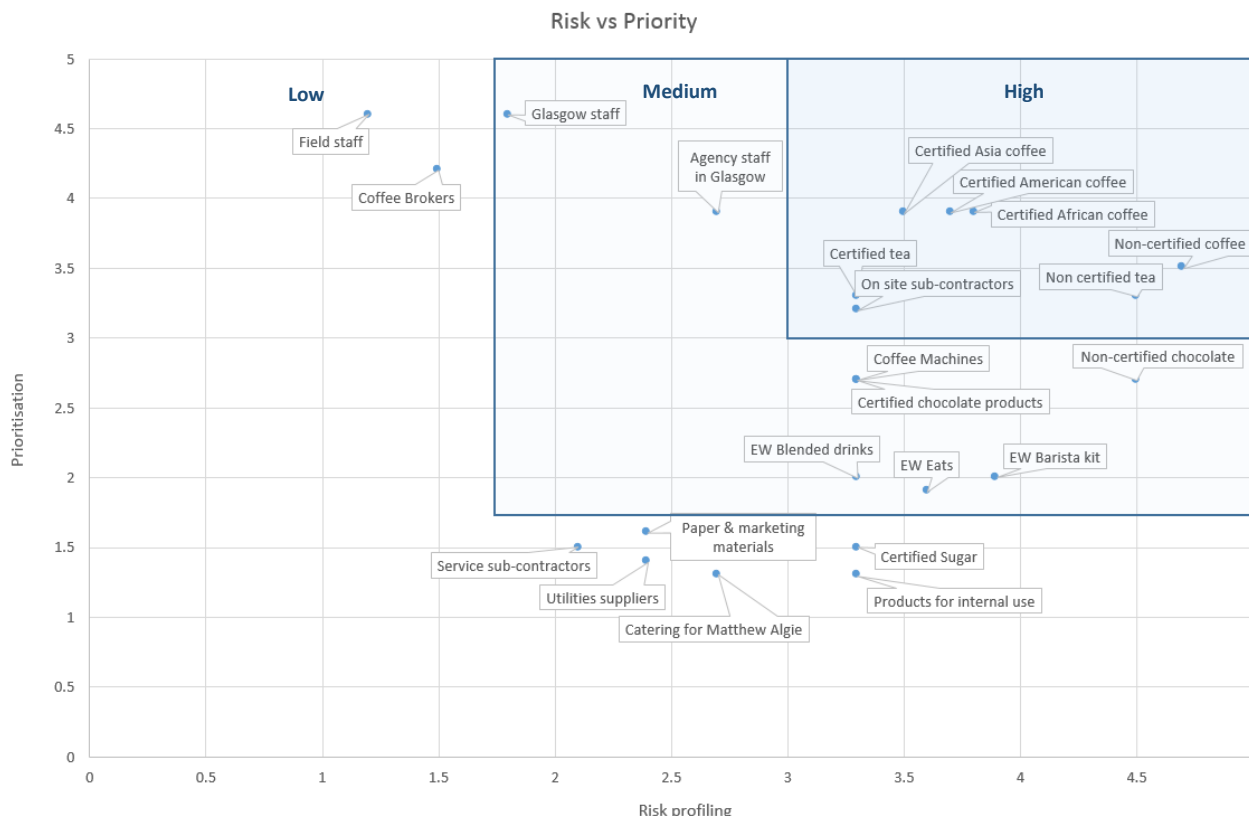
- 1.1 Matthew Algie is primarily a coffee roaster, offering fresh, sustainably-sourced coffees to the catering and retail sector in the UK and Ireland. We employ 248 people and over half of these are based at our roastery in Glasgow whilst the remainder are field-based to provide regular, face-to-face 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 pioneering commitment to sustainability certifications complements our commitment to long-term relationships with suppliers. 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 started formally assessing the risk of modern slavery in our business and supply chains. To plan our actions effectively, we also prioritised the areas that are of greatest importance to us as a business, and are within our sphere of influence. Further information on our methodology is given in our statement on Modern Slavery Prevention for the 2017 financial year, which is available on our website.
- 2.4 The outcomes of our assessment for 2018 are displayed in the below matrix. The results demonstrate few significant changes in 2018, and confirm that we should 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.
- 2.5 The fall in the international market price for Arabica coffee to a twelve year low in September has further increased the risk of modern slavery in coffee supply chains. The price slump has been caused by a number of factors including particularly good output from the world’s largest coffee producing countries,

leading to estimated over-supply of 10 million bags, and, record levels of speculative trading on coffee contracts putting further downward pressure on prices. The impact of the low prices has been reflected in the responses we have received to our annual supplier survey, where supplier's average scores demonstrated an overall increase in the level of perceived risk associated with coffee prices covering cost of production. As explained below in Section 4, buying certified coffee helps to protect producers from these price slumps, but we are aware that many of the cooperatives we buy from will not be selling all of their coffee on Fairtrade and organic certified terms, meaning most of the organisations in our supply chains will still have been affected to some extent by the price decline.

*Mapping the Risk Profile against Priority*



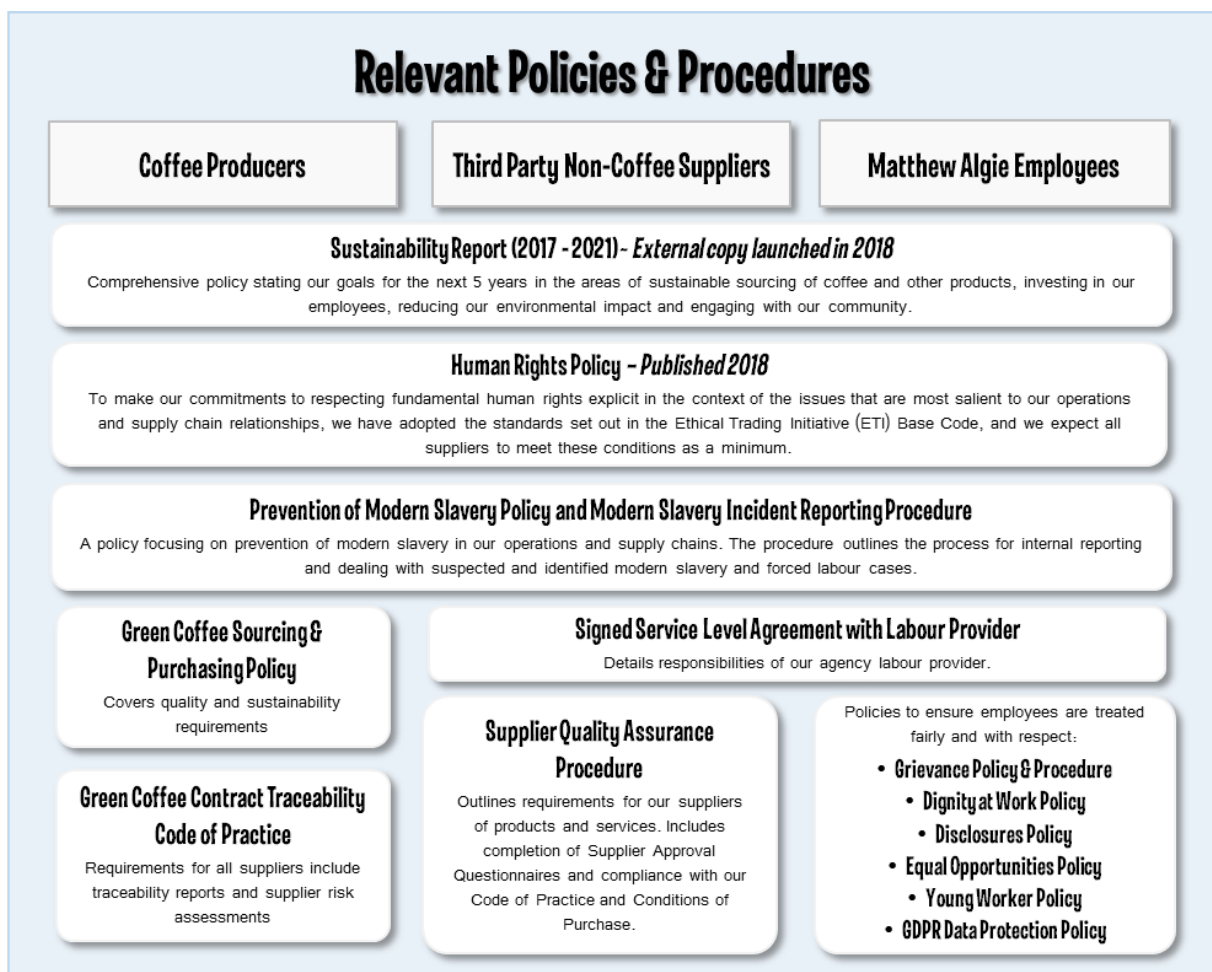
2.6 We will continue to review the risk assessment on at least an annual basis to ensure our actions remain relevant.

**3. Our Policies in Relation to Modern Slavery**

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. The two key changes for 2018 were the introduction of a Human Rights Policy and publishing our inaugural Sustainability Report externally.

3.2 Our Human Rights Policy is relevant to our internal operations and our supply chain, and adds context to our longstanding commitment to the Ethical Trading Initiative Base Code. By signing up to the Code, employers agree that employment is freely chosen, child labour is not used, working hours are not excessive, fair wages are paid and no harsh treatment is allowed.

3.3 Our Sustainability Report details our five year plan, which has been in place since 2017 internally. Our commitment to externally report on progress will provide helpful accountability and transparency with our stakeholders. Relevant key performance indicators from the report have been copied into Section 5 below. The full version of our Sustainability Report is available via our website - [www.matthewalgie.com/about/sustainability/](http://www.matthewalgie.com/about/sustainability/)



**4. Our Due Diligence Processes in 2018 and Assessment of their Effectiveness**

- 4.1 Our mitigation activities with respect to our own operations remains consistent with our approach in previous years. For more information on this, please refer to our previous annual statements, available from the “Resources” section of our website. We consider this approach to be broadly effective, however we are planning to do further training for line managers in 2019 to improve their awareness and identification skills.
- 4.2 We delivered modern slavery prevention training to employees directly involved in managing our supplier relationships and selection of new suppliers. The training improved attendees understanding of modern slavery and what they as individuals can do to help prevent modern slavery and identify potential cases.
- 4.3 As described in our previous statements, 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 2018 we travelled to visit suppliers in Honduras, Uganda, Rwanda and Peru.

**4.1 Use of Certifications**

- 4.1.1 Consistent with our approach in previous years, at least 85% of the coffee contracted in 2018 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.
- 4.1.2 For the purposes of prevention of modern slavery, both the Fairtrade and Rainforest Alliance standards include criteria relating to social practices on the farm. For specific information on the core and development criteria relating to prevention of forced labour, please refer to Appendix 1.

- 4.1.3 It was announced in 2017 that UTZ would merge with Rainforest Alliance and their new joint standard will be published in 2019. We are actively involved in the consultation process, reviewing the draft version of the new standard. Rainforest Alliance have publically stated that they intend for the new standard to have a greater impact on farmer economics and social issues like child labour and forced labour.
- 4.1.4 We have also been actively participating in the public consultation for Fairtrade's review of their Standard for Small Producer Organisations.
- 4.1.5 Also important to mention in light of the decline in coffee prices, outlined in Section 2 above, is the crucial role that certifications play in protecting producers from these slumps. Buying coffee on Fairtrade terms ensures producers receive a minimum price, plus an additional social premium. Organic certification also includes a specified premium. Therefore, not taking account of the quality differential, we pay a minimum of \$1.60 /lb for Fairtrade certified coffee and \$1.90/ lb for Fairtrade and organic certified coffee. This is significantly higher than the market price which fell below the \$1/ lb mark in 2018.
- 4.1.6 Of the coffee contracts we put in place in 2018, 45% were Fairtrade only certified and a further 41% held both Fairtrade and organic certifications. It is our responsibility to continue promoting the benefits of these certifications in the UK market and making the case for them to our customers. This allows us to source the vast majority of our coffee on Fairtrade and organic certified terms and hopefully increase the amount of certified coffee we source from suppliers.

## 5. Relevant Key Performance Indicators and Actions

Type of Indicator	Performance Indicator	Progress in 2018	Intention for 2019
<b>Sustainability Policy 5-year Goal</b>	90% of coffee purchased consistently has at least one certification.	Over 95% of the coffee we purchased had at least one certification.	Prioritise certified coffee wherever possible and monitor KPI.
<b>Sustainability Policy 5-year Goal</b>	Ratio of agency to permanent staff is 1:50 (2%) respectively by 2021.	Average monthly ratio (as a percentage) was 4% for 2018, which is much higher than in previous years. This was due to changes in the business and restructuring.	Continue to monitor this key KPI. 12 week temporary to permanent review to take place for all agency staff.
<b>Action for 2018</b>	Launch a Human Rights Policy, as an extension of our existing Ethical Trading Policy, with relevance to our internal operations and supply chains.	Completed	
<b>Action for 2018</b>	Train employees involved with buying/ sourcing tea and hot chocolate products in modern slavery prevention and our expectations for suppliers.	Completed	
<b>Action for 2019</b>	Share best practice guidelines and recommendations for the prevention of modern slavery with suppliers of non-certified coffee products.	Postponed until 2019.	Maintain KPI
<b>Action for 2019</b>	Glasgow-based line managers are trained on the prevention of modern slavery.	Postponed until 2019.	Maintain KPI
<b>Action for 2019</b>	Encourage best practice by our agency labour providers by signposting to training opportunities and useful resources.	Postponed until 2019.	Maintain KPI

## 6. Authorisation and Endorsement

6.1 This statement has been authorised by:




Date: 7<sup>th</sup> February 2019

*Ewan Reid*  
 Managing Director

## 7. Appendix 1: Fairtrade<sup>1</sup> and Rainforest Alliance<sup>2</sup> Standards

7.1 As detailed in the below boxes, the Fairtrade and Rainforest Alliance standards to ensure forced labour is not used on farms, includes “core”/ “critical” (i.e. essential) criteria and “development”/ “continuous improvement” (i.e. required in the medium term) criteria.




**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 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.

<sup>1</sup> FAIRTRADE STANDARD FOR SMALL PRODUCER ORGANIZATIONS, FAIRTRADE INTERNATIONAL, 2011. [https://www.fairtrade.net/fileadmin/user\\_upload/content/2009/standards/documents/SPO\\_EN.pdf](https://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/documents/SPO_EN.pdf)

<sup>2</sup> RAINFOREST ALLIANCE SUSTAINABLE AGRICULTURE STANDARD VERSION 1.2, SUSTAINABLE AGRICULTURE NETWORK, JULY 2017. [https://www.rainforest-alliance.org/business/wp-content/uploads/2017/11/03\\_rainforest-alliance-sustainable-agriculture-standard\\_en.pdf](https://www.rainforest-alliance.org/business/wp-content/uploads/2017/11/03_rainforest-alliance-sustainable-agriculture-standard_en.pdf)