



Matthew Algie Annual Statement

Modern Slavery Prevention in 2019 Financial Year

This statement has been published in accordance with Section 54 of the Modern Slavery Act 2015. It sets out the steps that Matthew Algie & Company Ltd. has taken in relation to the prevention of modern slavery during the 2019 financial year, ending 31st December 2019.

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 254 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 structure we have 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 98% of the coffee we buy holds one or more of these certifications. We have recently launched a new coffee brand, Blak Nektar, where we showcase our premium, speciality coffees, and market these separately to the Matthew Algie brand.
- 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.
- 1.5 The contents of this statement refer solely to steps taken by Matthew Algie & Company Ltd., including the Espresso Warehouse business unit.

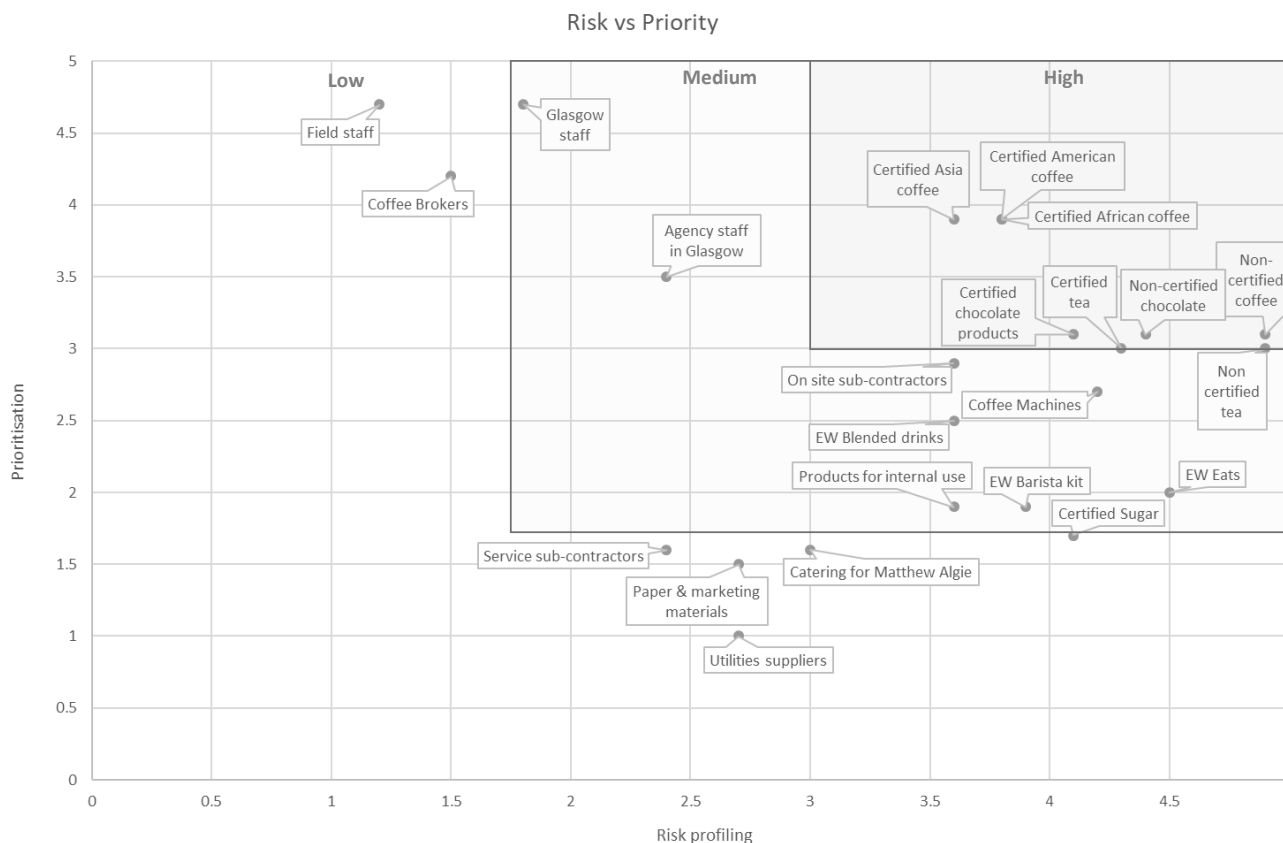
2. Assessment of Modern Slavery Risk in Our Business and Our Supply Chains

- 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.

2.4 The outcomes of our assessment for 2019 are displayed in the below matrix. The results demonstrate few significant changes in 2019 and confirm that we should concentrate primarily on our coffee, tea and hot chocolate supply chains.

Mapping the Risk Profile against Priority



2.5 Continuing the trend first noted in our 2018 statement, Arabica coffee prices have been trading below the Fairtrade minimum price (\$1.40/lb) since mid-2017. The sustained price slump has been caused by several factors including particularly strong output from the world's largest coffee producing countries 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. In this context, the risk of child labour in the coffee industry will have increased over the last few years, and it is particularly crucial that every stakeholder in the downstream coffee value chain plays their part in paying a fair price for the coffee that they buy.

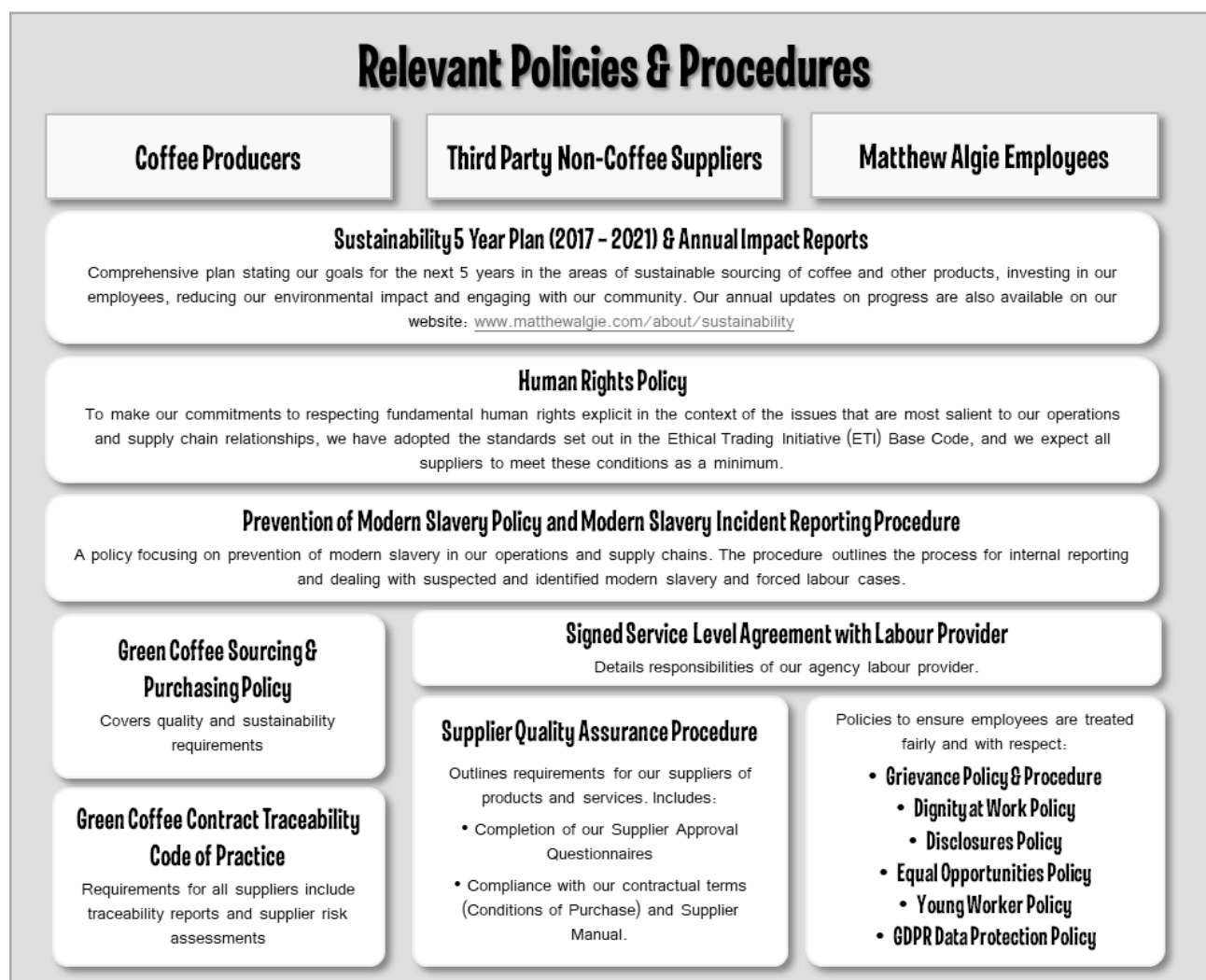
2.6 As explained below in Section 4, buying certified coffee helps to protect producers from these price slumps, but we are aware that many of the cooperatives we buy from will not be selling all of their coffee on Fairtrade and organic certified terms, meaning most of the organisations in our supply chains will still have been affected to some extent by the price decline.

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

2.8 We also introduced a more detailed risk assessment, reviewing the risks associated with our recruitment process in our operations. All the risks identified rated as either low or medium risk based on probable frequency and level of severity or impact. The exercise was helpful for understanding where we can control the risk of modern slavery in our recruitment process and potential areas for improvement. We intend to carry out an annual review of this alongside our broader risk assessment.

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 key changes for 2019 included the publication of our annual sustainability impact report and bringing more alignment to the documentation that sits beneath the Supplier Quality Assurance Procedure.
- 3.2 Our 2018 Sustainability Report details the progress we have made against our 5 Year Plan in 2018. Our commitment to externally reporting on this progress will provide helpful accountability and transparency with our stakeholders. Relevant key performance indicators from the 5 Year Plan have been copied into Section 5 below.
- 3.3 In 2019, we commenced a process of introducing individual supplier agreements to set out our contractual terms. This process highlighted that there was room for improving how we communicate our expectations for how suppliers should show respect for human rights. We therefore updated our Supplier Manual, individual supplier contracts and Conditions of Purchase to facilitate clearer, more consistent, communication on our requirements.



4. Our Due Diligence Processes in 2019 and Assessment of their Effectiveness

4.1 Risk Mitigation Within Our Operations

- 4.1.1 Our mitigation activities with respect to our own operations remains consistent with our approach in previous years. We have clearly defined roles and responsibilities, relevant and up-to-date policies and procedures, service level agreements with our labour providers which

they are audited against, and, we provide relevant training to our employees. For more information, please refer to our previous annual statements.

4.1.2 The training that has been undertaken in 2019 to further improve the capabilities of our employees includes:

- Two employees from our HR department attended external training by Stronger Together in *Tackling Modern Slavery in UK Businesses*. The training helps attendees to understand the actions they need to take to deter, detect and deal with modern slavery in business operations.
- Internal training in *Prevention of Modern Slavery in Supply Chains* for nine employees in roles relating to Purchasing, Technical/Quality Assurance and New Product Development who are directly in contact with third-party suppliers. The training equips employees to understand the role they can play in risk mitigation in our supply chains, and, equips them to be able to identify and deal with potential cases of modern slavery.
- Internal training in *Human Rights* for line managers based in Glasgow. As at 31st December 2019, 37% of managers had completed the training. The remainder will complete the module in quarter one of 2020. The training improved attendees understanding of modern slavery and what they as individuals can do to help prevent modern slavery and identify potential cases.
- Three employees attended an event organised by our customers, TUCO and the University of Manchester, aiming to broaden supplier understanding of best practice and encourage collaboration in prevention of modern slavery. The event included perspectives from TUCO, NETpositive Futures, the University of Manchester, Programme Challenger and Partner Clyde & Co. LLP.

4.1.3 As noted above, we conducted our first risk assessment specifically looking at the risk of modern slavery in our recruitment process in 2019. As a result, HR have become more involved in the recruitment process for individual positions. For example, a HR representative is present for interviews for all permanent positions ensuring a fair and equitable approach is taken.

4.1.4 Complimentary to our approach internally, we have also started to engage our local community in modern slavery prevention. Holyrood Secondary School is in our local community in southern Glasgow and we have worked with them over several years, providing classes to their Business Studies pupils. More recently we have introduced modern slavery prevention to our presentations, helping students to understand modern slavery and the role employers can play in prevention.

4.2 Risk Mitigation Within our Supply Chains

4.2.1 As described in our previous statements, our visits to key coffee suppliers help us to fully understand the local context and consider the level of risk of modern slavery. In 2019 we visited suppliers in Peru and Brazil.

4.2.2 Consistent with our approach in previous years, at least 85% of the coffee contracted in 2019 was Fairtrade certified and much of this volume held multiple certifications. Similarly, 98% of the coffee contracted held either (or both) Fairtrade and Rainforest Alliance certification. Our commitment to these certifications stretches into the other products we source including tea, cocoa and sugar.

4.2.3 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.

4.2.4 It was announced in 2017 that UTZ would merge with Rainforest Alliance and their new joint standard will be published in 2020. We are actively involved in the consultation process, reviewing and providing feedback on the draft versions 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. They are aiming to shift to a new approach, focused on tackling the root causes of forced labour, which goes beyond

prohibition. This is in line with the growing international consensus on best practice, including alignment with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

- 4.2.5 We have also been actively participating in the public consultation for Fairtrade's review of their Standard for Coffee. They are aiming to publish the new standard in May 2020.
- 4.2.6 Important to mention considering 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 has been trading below the Fairtrade minimum price (\$1.40/lb) since mid-2017.
- 4.2.7 Of the coffee contracts we put in place in 2019, 42% were Fairtrade only certified and a further 44% 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 2019	Intention for 2020
Sustainability Policy 5-year Goal	90% of coffee purchased consistently has at least one certification.	98% of the coffee we purchased had at least one certification.	Prioritise certified coffee wherever possible and monitor KPI.
Sustainability Policy 5-year Goal	Ratio of agency to permanent staff is 1:50 (2%) respectively by 2021.	Average ratio (as a percentage) was 2% for 2019, which demonstrates a significant improvement on 2018.	Continue to monitor this key KPI.
Action for 2019	Share best practice guidelines and recommendations for the prevention of modern slavery with suppliers of non-certified coffee products.	This has been on pause whilst we develop our Blak Nektar speciality coffee brand. However, as noted above, we now have clearer, more consistent documentation for tier one suppliers (across all products) on our expectations for modern slavery prevention.	Review relevant KPI once full product range update has been completed.
Action for 2019	Glasgow-based line managers are trained on the prevention of modern slavery.	As noted above, an internal training module was developed and 37% of the relevant managers have completed this, with the remainder to complete it in Q1 of 2020.	Maintain KPI
Action for 2019	Encourage best practice by our agency labour providers by signposting to training opportunities and useful resources.	Content has been drafted and will be shared in Q1 of 2020.	Maintain KPI

6. Authorisation and Endorsement

6.1 This statement was approved by the Board of Directors of Matthew Algie & Company Ltd on the 16th July 2020.

6.2 This statement has been authorised by:



Date: 16th July 2020

Ewan Reid
Managing Director

7. Appendix 1: Fairtrade and Rainforest Alliance Standards

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

7.2 Fairtrade Standard for Small Producer Organisations¹

Reference	Type of criteria	Requirement
3.3.5	Core	You and your members do not directly or indirectly engage in forced labour, including slave, bonded or involuntary prison labour. You explain this to all workers.
3.3.6	Core	If you have identified cases of forced adult labour in your organization (see requirement 3.1.2), you and your members remediate to ensure prolonged safety and implement relevant policies and procedures to prevent vulnerable adults above the age of 18 years from being employed in abusive, exploitative and unacceptable work conditions as defined by ILO Conventions 29 and 105.
3.3.7	Core	You and your members do not make the employment of a worker or an offer of housing conditional on the employment of their spouse. Spouses have the right to work elsewhere.
3.3.8	Core	You and your members do not employ children below the age of 15 or under the age defined by local law, whichever is higher.
3.3.9	Core	Your members' children below 15 years of age are allowed to help your members on their farms under strict conditions: you ensure that they only work after school or during holidays, the work they do is appropriate for their age and physical condition, they do not work long hours and/or under dangerous or exploitative conditions and their parents or guardians supervise and guide them.
3.3.10	Core	You and your members do not submit workers of less than 18 years of age to the unconditional worst forms of child labour or to any type of work which, by its nature or the circumstances under which it is carried out, is likely to jeopardize their health, safety, morals or their school attendance.
3.3.11	Core	<p>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 ensure that those children do not enter or are not 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.</p> <p>Any action that you take to ensure this respects the UN Convention on the Rights of the Child (CRC) protective framework, which means that:</p> <ul style="list-style-type: none"> • the best interest of the child are always the top priority; • their right to survival and development is respected; • you apply them to all children without discrimination; • the views of the child are heard and respected; • at all moments they are protected from violence.
3.3.12	Developing	If you have identified child labour as a risk in your organization (see requirement 3.1.2) you and your members implement relevant policies and 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 or exploitative work.
3.3.29	Core	Children under the age of 18 years, pregnant or nursing women, mentally disabled people, people with chronic, hepatic or renal diseases and people with respiratory diseases do not carry out any potentially hazardous work. Alternative work is provided for them.

¹ FAIRTRADE STANDARD FOR SMALL PRODUCER ORGANIZATIONS https://files.fairtrade.net/standards/SPO_EN.pdf AND COMPLEMENTARY COMPLIANCE CRITERIA <https://www.flocert.net/wp-content/uploads/2017/08/small-producers-compliance-criteria.pdf>

7.3 The Rainforest Alliance Sustainable Agriculture Standard²

Reference	Type of criteria	Requirement
4.1	Critical	<p>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.</p> <p><i>According to ILO Forced Labour Convention (No. 29) and Abolition of Forced Labour Convention (No. 105).</i></p>
4.6	Critical	<p>The worst forms of child labour are prohibited, including</p> <ul style="list-style-type: none"> a) Work harmful to children; b) Any type of paid or unpaid work by a child under the age of 15 years old, except tasks that are traditional for children in the location and are undertaken for the purpose of encouraging the family's or local culture; c) Young workers' work during legally compulsory school hours; d) Young workers' work of more than eight hours per day and more than 48 hours per week; e) Young workers' work schedule not permitting minimum consecutive period of 12 hours' overnight rest, and at least one full day of rest for every six consecutive days worked; f) All forms of forced, compulsory, or slave labour or discrimination; g) Sale and trafficking of children; h) Use, procuring or offering of a child for prostitution, for the production of pornography or for pornographic performances; i) Use, procuring or offering of a child for other illicit activities. <p><i>ILO Worst Forms of Child Labour Convention No. 182</i></p>
4.7	Critical	<p>If young workers* are contracted, records for each young worker are kept, including: First and last name; reliable proof of date of birth; parent(s) or legal guardian(s) first and last name and domicile or place of contact; young worker's permanent residence; school registration and attendance statuses; parent(s) or legal guardian(s) consent and authorization for the young worker's employment; type of assigned work or tasks; and number of daily and weekly working hours.</p> <p><i>ILO Minimum Age Convention No. 138.</i></p> <p>* The minimum age of a young worker shall not be less than 15 years. For the purposes of this standard the term refers to workers between the ages of 15 and 17 years. (<i>ILO Minimum Age Convention, 1973 (No. 138); Convention concerning Minimum Age for Admission to Employment; Geneva, 58th ILC session</i>).</p>

² RAINFOREST ALLIANCE SUSTAINABLE AGRICULTURE STANDARD, https://www.rainforest-alliance.org/business/wp-content/uploads/2017/11/03_rainforest-alliance-sustainable-agriculture-standard_en.pdf