
***IMPACT AND
PERFORMANCE REPORT
FOR TRAIDCRAFT 2011-12***



CONTENTS

Because the constituent parts of Traidcraft work collaboratively towards the same mission goals, we believe it is most useful to report on our progress and impact across the organisation as a whole.

	PAGES
A. Overview	2 - 3
B. Structures and Principal Activities	4 - 6
Traidcraft plc	4-5
Traidcraft Exchange	5
Traidcraft Foundation	6
C. Chair’s Report on Traidcraft’s Overall Performance	7 - 8
D. Directors’ Report on Traidcraft plc’s Overall Performance	9 - 12
E. Trustees’ Report on Traidcraft Exchange’s Overall Performance	13 - 15
F. Impact Report	16 – 40
Direct Impact on Beneficiaries	17 – 30
Innovation and Influence	30 – 33
Mobilisation of UK Supporters	34 – 36
Environment	36 - 39
Staff	39 – 40



A. OVERVIEW

Traidcraft is a Christian organisation dedicated to fighting poverty through trade since its foundation in 1979. Best known as a pioneer of the fair trade movement in the UK, our activities are in fact much wider, spanning the fields of trade and development and trade justice.

Traidcraft believes that to achieve change we need to combine a range of activities: trading directly with producers, scaling up the learning from that activity (with a wider range of beneficiaries and a focus on local markets as well as international trade) and addressing the need for wider structural and policy change through modelling good business practices and mobilising consumers to influence government and corporate behaviour.

To carry out these related activities we work through two financially and legally distinct entities - a trading company and a development charity - whose complementary activities combine to make our mission effective. Over the years we have demonstrated our ability to have impact and influence that far exceeds the scale of our activities, and have established ourselves as a global leader in making trade work for the poor.

The strategic framework within which we intend to operate over the period 2011-2020 is shown in the table below:

OUR VISION	<i>A world freed from the scandal of poverty, where trade is just and people and communities can flourish</i>			
OUR GOALS	Improved and sustainable incomes for poor people	Greater dignity and opportunity for poor people	Policies and practices that reflect needs of poor people	
OUR MISSION	<i>Traidcraft fights poverty through trade, pioneering, practising and promoting approaches to trade that help poor people in the developing world transform their lives</i>			
OUR ACTIVITIES	Traidcraft achieves sustainable impacts on marginalised producers through our trading and support activities	Traidcraft pioneers and innovates approaches to fair and ethical trade	Traidcraft influences governments and businesses to have more positive impacts on poor people	Traidcraft enables more people to support trade justice and environmental responsibility as our customers and supporters

An exploration of these main themes and our more specific objectives for the next three years can be found in the booklet “From Fair to Flourishing”^{*}

^{*} www.traidcraft.co.uk/fairtoflourishing

In carrying out our work we are guided by Traidcraft's Foundation Principles. These are briefly summarised below, and may be found in full on our website[†]:

- *Traidcraft is a Christian response to poverty*
- *Our mission is fighting poverty through trade*
- *We respect all people and the environment*
- *We abide by and promote fair business practices*
- *We strive to be transparent and accountable*

Traidcraft works with and for people of all faiths and none, recognising that as a Christian organisation we have a particular responsibility to mobilise the Christian community to work for justice in trade, and seeking to reflect Christian values in our principles and practices.

We see fair trade as a practical tool to demonstrate how trade can be carried out in ways that benefit small-scale producers, and as a means of encouraging companies to improve their sourcing practices by providing a standard of excellence and enabling consumers to send powerful signals of their desire to see more ethical practices being used. However, we do not limit ourselves to seeking to promote fair trade, and seek to encourage all trading approaches that will have a positive impact on reducing poverty.

[†] www.traidcraft.co.uk/foundationprinciples

B. STRUCTURES AND PRINCIPAL ACTIVITIES

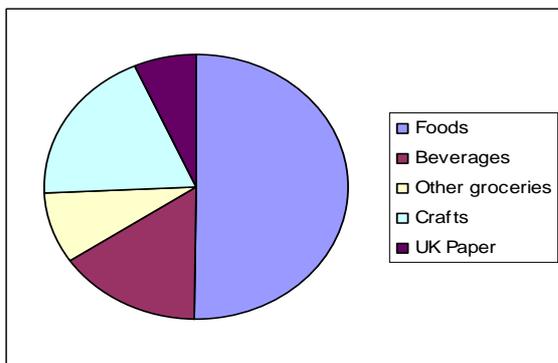
Traidcraft works through three closely-linked entities, sharing the same values and mission. Senior management and certain other staff roles work across Traidcraft plc and Traidcraft Exchange, and the two organisations have the same non-executive directors/trustees. Both these operational arms work within the oversight and guidance of the Traidcraft Foundation.

TRAIDCRAFT PLC

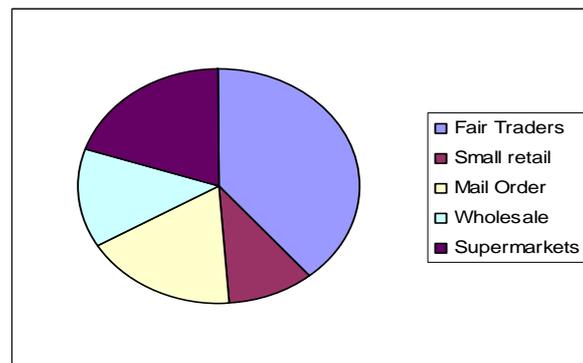
Traidcraft plc is the largest dedicated fair trade company in the UK, and one of the largest fair trade organisations in the world. In 2012 the turnover of Traidcraft, including licenced products, amounted to £17 million. It is a trading company, owned by 5,322 individual shareholders who have invested their capital in order to deliver social impact rather than to maximise their financial return.

Unlike most commercial companies that sell Fairtrade-marked products, Traidcraft plc is dedicated to applying fair trade principles across its product range and focuses on sourcing from more marginalized and smaller-scale producer groups. It is notable for its track record in pioneering new approaches and sectors in fair trade.

The company sources a wide range of grocery products (including foods, beverages, charcoal and rubber products) as well as crafts and clothing products. These come from fair trade suppliers in more than 30 countries. Traidcraft also sells a range of UK-sourced greetings cards and recycled tissue products.



Sales by product category (2012)



Sales by channel (2012)

Many of our products are sold through activists, known as Fair Traders, who operate in churches, schools and other locations around the UK. We also sell through small retailers, mail order and webstore customers, and to wholesale distributors. Sales into supermarkets are largely handled in collaboration with licence partners, companies who handle the manufacture and distribution of certain Traidcraft-branded products, whilst Traidcraft sources the ingredients and is responsible for branding and messaging.

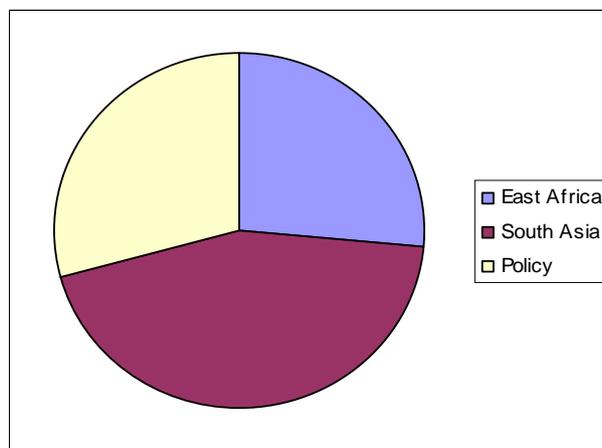
As the most visible part of Traidcraft in the UK, our trading activities help us to find new supporters, mobilising them behind the cause of justice. Our identity as a public limited company allows us to model more ethical ways of doing business, and gives us credibility when challenging corporate practices.

TRAIDCRAFT EXCHANGE

Traidcraft’s international development charity builds on the experience of our trading company to promote trade justice and develop approaches to trade that help small-scale farmers and enterprises work their way out of poverty. Alongside support in building sustainable and diversified businesses with better linkages to markets, we help small farmers adapt to climate change and contribute to food security through improved productivity and serving local markets.

In 2012 the total income of Traidcraft Exchange amounted to £4.15million. Its work is currently focused on two regions: East Africa and South Asia. Our regional offices in Kenya, India and Bangladesh implement development projects in conjunction with local partner organisations, and seek to build up local expertise in trade and development.

Our policy and advocacy programme influences policy-makers in the UK, European Union and within large companies by promoting trade justice and responsible and ethical corporate practices. We also advocate use of aid for trade funding programmes in ways that will directly benefit smaller-scale producers, and seek to promote the effective development of thinking and practice within the global fair trade movement.



Charitable Spend by programme (2012)

The work of Traidcraft Exchange is supported by donations from individuals and grants from funding institutions, trusts and foundations. It does not receive funding from Traidcraft plc, which reinvests its profits to grow the scale and impact of its trading activities.



TRAIDCRAFT FOUNDATION

The Traidcraft Foundation is the Founder Member of Traidcraft Exchange, and appoints the trustees of Traidcraft Exchange. It also holds the Guardian Share in Traidcraft plc, which gives a range of rights including a veto over appointments to the Board of Traidcraft plc.

The Foundation uses these powers and the right of consultation on key strategic issues to protect and advance the vision, mission and Christian identity of Traidcraft. By engaging with the Boards and reviewing Traidcraft's impact reports, the Foundation encourages all parts of Traidcraft to carry forward its work in accordance with the Traidcraft Foundation Principles. The more detached perspective of Foundation trustees allows them to challenge the organisation to reflect on new ways of furthering its mission.

A Deed of Mutual Covenant exists between the trustees of the Traidcraft Foundation, Traidcraft Exchange and Traidcraft plc. By this Deed, the parties agree to uphold Traidcraft's Foundation Principles, and set out how they will work in relation to each other.

C. CHAIR'S REPORT ON TRAIDCRAFT'S OVERALL PERFORMANCE

This has been a year of mixed results for Traidcraft.

On the one hand we have made excellent progress in implementing many key elements of our new strategic framework and achieving the goals we set for ourselves in the year:

- We have delivered 12% growth in the scale of Traidcraft Exchange's development programmes, and the number of producers and their families targeted to benefit from our current project portfolio has almost doubled as new projects have come on-stream.
- We have more than doubled the value of funds available for producer support activity through the plc, and have continued to introduce more targeted purchasing policies to focus our impact on poorer producer groups.
- We have continued to pioneer new sectors and approaches in fair trade – initiating work on palm oil and stevia (a natural sweetener), and continuing our initiatives in rubber and charcoal.
- We have made good progress in implementing our increased emphases on improved impact monitoring, gender issues in trade, and helping producers adapt to climate change.
- We have taken steps to improve the quality of our engagement with supporters across the trading company and charity. During the year we have seen an increase in the number of active supporters (growing by more than 4% to 87,000) and received a record number of orders and donations.
- We were able to pay a dividend of 2 pence per share in respect of Traidcraft plc's performance in 2010-11.
- Our campaigning has achieved success in ensuring the establishment of a Groceries Code Adjudicator was included in the May 2012 Queen's Speech.

However, there are two significant areas of concern:

- The trading company's sales have continued to decline as a result of competition from mainstream companies offering Fairtrade products, increased discounting and high commodity prices squeezing profit margins, and economic recession affecting consumer buying power and reducing the average size of each order placed. This challenge is perhaps not surprising in the current circumstances, but it reduces the scale of our direct trading impact on producers (with the three year rolling average falling by 3.7%), and it has led to a sizeable loss during the year. We need to reverse this trend in sales if we are fully to achieve the impact and other goals we have set ourselves.
- We are growing increasingly concerned about the risk of a loss of development focus within the fair trade sector with pressure from some commercial organisations to dilute Fairtrade standards, and the danger of excluding smaller-scale and more marginalized producer groups through the costs of certification.

Fortunately both Traidcraft plc and Traidcraft Exchange still have robust financial positions. The plc balance sheet is strong, with minimal levels of borrowing. Owing to tighter management of stock our cash position has in fact strengthened during the year despite the trading loss. Traidcraft Exchange reserves have recovered to a level a little above our target minimum, thanks

to stable levels of donations and the benefit of a number of legacies received during the year. These factors give us confidence that we can continue to invest in delivering our mission.

Traidcraft's key goals for the year ahead are:

- To grow our impact on producers in the developing world through increased levels of purchases and additional support activity by the plc, and effective implementation of the Traidcraft Exchange project programmes.
- To reverse the plc's declining sales trend and restore profitability, with particular attention to growing our e-commerce activity and increasing consumer and supporter perceptions of how Traidcraft goes well beyond labelled Fairtrade standards.
- To increase Traidcraft Exchange's income and raise new grants to enable the continued long-term growth of our programme.
- To help preserve the integrity and effectiveness of the fair trade movement.

As I reflect on my first year on the Traidcraft Board, I have been impressed by the real impact that Traidcraft is having on the lives of people around the world. I have visited projects in Kenya and Bangladesh, and have seen for myself how incomes are improved, confidence and optimism about the future are restored and communities are strengthened. This is what we mean by helping people to flourish. Traidcraft's work goes well beyond promoting fairness and fair trade, it is about building justice and transforming lives. Traidcraft's supporters and staff can be rightly proud of what they are achieving, and we are truly grateful to them.

On behalf of the whole Board, may I also express particular thanks to Geoff Moore, who ably acted as interim Chair between March and September 2011. I would also like to express our gratitude to Alice Ward who is retiring as a non-executive director after nine years of service. Looking ahead, the Chair of the Traidcraft Foundation, Reg Bailey, will be standing down in September 2012 after serving his maximum ten-year term as a trustee. He has brought an invaluable combination of commercial and mission understanding, and has been an able guide and constructive challenger to Traidcraft over the past decade. We will greatly miss him, but I am delighted to report that Stephen Timms MP has agreed to take over as Chair of the Foundation, and I know he will bring many strengths and his huge experience of public life to bear on our work.

This year's Report and Accounts seek to integrate assessment of our financial results and social impacts to a greater extent than in the past, when we produced separate financial and social accounts. We see this as another example of our seeking to pioneer and model best practice, underpinning our strong belief that the performance of any business or charity cannot be measured solely or primarily in financial terms. As you read this report I hope you will feel encouraged by the many positive achievements Traidcraft has made during the year, despite the challenging economic environment.

Ram Gidoomal
Chair, 18 July 2012

D. DIRECTORS' REPORT ON THE PERFORMANCE OF TRAIDCRAFT PLC

This has been a difficult year for Traidcraft plc's trading.

- Direct sales declined by £1,040,000 (7.2%) to £13.35 million, whilst sales of Traidcraft-branded licensed products by our partner organisations declined by £518,000 (12.5%) to £3,627,000. Total sales of Traidcraft-branded products therefore amounted to £17 million. Decreased sales were experienced across most of our product range and sales channels, with only our e-commerce and mail order sales experiencing modest growth. The trends over the past five years have now been consistently downwards in most channels. We note that as well as reflecting current economic conditions, this decline is in part the result of our having encouraged the entry of more mainstream competitors into fair trade – our overall mission of being a catalyst for achieving widespread change over-riding our more “selfish” commercial interests. A similar scale of decline in sales can also be seen in the other main UK Fair Trade Organisations with a mainstream presence.

<i>£'000s</i>	2007-08	2008-09	2009-10	2010-11	2011-12
<i>Sales by channel</i>					
Fair Traders	8,397	7,884	7,597	6,924	6,479
Mail Order	2,391	2,343	2,527	2,863	2,951
Small retail	2,202	2,028	1,924	1,747	1,653
Wholesale	3,699	3,683	2,844	2,857	2,268
Supermarkets	5,422	5,529	3,366	3,905	3,339
Educational Tours	176	244	183	240	288
Total	22,287	21,711	18,441	18,536	16,978
<i>Sales by product type</i>					
Non-food consumables	471	660	865	1,687	1,657
Crafts & clothing	4,449	4,379	4,326	4,909	4,101
Food & beverages	17,191	16,428	13,067	11,700	10,932
Educational Tours	176	244	183	240	288
Total	22,287	21,711	18,441	18,536	16,978

- Our purchases from fair trade suppliers in the year declined by 20% to £3.55 million, reflecting falling turnover and the fact that this had left us with surplus stocks of key ingredients such as honey, raisins and blueberries. Although we had expected a decline in purchases during the year, this was a sharper decrease than we had planned. Part of this reflects timing issues with the receipt of large orders, and the three year rolling average designed to even out such factors showed a smaller decrease of 3.7% — but nevertheless this was still a 9% decrease in US dollar terms.

- Margins were squeezed slightly, with gross profit margin decreasing from 37.5% to 37.2%, as we were not able to reflect the rising cost of ingredients in our prices, and as discounting became more and more prevalent in mainstream markets.
- Although costs remained well under control, the above factors contributed to a pre-tax loss for the year of £333,000, well below our 2010-11 profit (excluding exceptional items) of £216,000.

£'000s	2007-08	2008-09	2009-10	2010-11	2011-12
Pre-tax profit/(loss)	202	68	90	540	(333)

Against this negative picture, we can however point to some more positive trends:

- Whilst sales declined in the first half of the financial year, the second six month period showed us matching the levels achieved in 2010/11. Improving recruitment of new Fair Traders, growth in e-commerce/mail order sales (with a record 29,000 new customers buying in the course of the year), and volume growth in Geobar supermarket sales during the last six months are all positive signs.
- Traidcraft's cash position improved by some £172,000 mainly as a result of bulk stock levels falling with tighter management and reduced turnover requirements. Whilst this also means we bought less from our producers in the year, it means that we end the year in a stronger financial position, and indeed we believe this is the first year in our history when we had no need to borrow from a bank during the year.

Reflecting on our impact performance (see section F), we note the following headlines:

- Although the gross value of our fair trade purchases fell by 20%, the added value of our purchase payments compared with those which producers would receive on average from commercial trading was sustained at about 10%. In addition we were able to raise and allocate much more funding for producer support activity than in previous years. In financial terms this will have significantly mitigated the decline in purchasing volumes in terms of the benefits flowing to producers, although the impact of this will not have been evenly spread across all suppliers.
- We have continued to target our purchasing on more marginalised and smaller-scale suppliers, as a means of improving the quality of our impact, and are pleased by the continuing positive nature of the producer feedback received.
- Innovation activity has continued, with exciting developments in relation to palm oil and stevia in particular.
- Although our carbon impact is reported to have deteriorated, this is the result of capturing more accurate data on staff air travel. If staff air travel is assumed to have been more or less constant year on year (and therefore to have been understated in 2010-11), our carbon impact would have reduced by 10%, mainly as a result of reduced volumes of freight imports.



The Board and senior management team continue to monitor risk closely. We believe the principal risks facing Traidcraft plc continue to be the decline in sales and profitability, particularly in our Fair Trader activists channel, as a result of recession, mainstream competition and some supporters feeling that our “job is done” now that Fairtrade products are widely established in the high street. Our strategies to address these risks include the launch of new products, improvements to our webstore as a channel with stronger growth prospects, beginning to offer food products in a wider range of formats for those who do not always wish to buy in bulk, and increasing our profile in the Christian community.

We have also significantly increased the risk rating attributed to developments in the Fairtrade movement, reflecting the impact of Transfair USA distancing itself from the FLO labelling system and growing pressure from some commercial licensees to weaken standards. We will seek to use our influence as a key organisation within fair trade and as a co-founder of the Fairtrade Foundation to resist these pressures, but we will also communicate more strongly to our customers and supporters how Traidcraft goes beyond standard Fairtrade practices.

Looking to the future, we plan to achieve modest growth in year on year sales. Our target sales growth of 3.9% will still leave us at a lower level than in 2010/11, but we believe it is a realistic budget to attain in the current economic climate. Achieving this level of growth should bring the plc back into profit – albeit still at a lower level than we would normally aspire to. We hope that our profile will grow among UK churches from our support for the More Than Gold Olympics initiative, leading to the opening of more church accounts for the future. We will be investing in strengthening our e-commerce capabilities, which is an area we believe to have significant growth potential, and we hope to increase exports of Geobars to our partner Equal Exchange in the United States.

In terms of our impact on producers, we will aim to sustain our overall value of fair trade purchases in the coming year, and will be able to spend increased levels of producer support funding whilst also maintaining our work in areas of innovation.

Summary Profit and Loss Account	2012	2011
	£000	£000
Turnover	13,351	14,391
Cost of sales/commissions payable	(8,388)	(8,996)
Gross profit	4,963	5,395
Distribution and Administration expenses	(5,827)	(5,692)
Other operating income	532	553
Operating (loss)/profit before exceptional income	(332)	256
Exceptional profit on disposal of fixed asset investment	-	324
Net Interest payable and other finance charges	(1)	(40)
	<hr/>	<hr/>
(Loss)/profit before taxation	(333)	540

Signed: The Directors of Traidcraft plc
18 July 2012

E. TRUSTEES' REPORT ON TRAIDCRAFT EXCHANGE

This has been a year with many encouragements for the work of Traidcraft Exchange.

A summary of financial performance is attached on page 15, and the combined Impact Report for Traidcraft Exchange and Traidcraft plc may be found in section F of this document, and provides good insights into the nature and effectiveness of our work. For Traidcraft Exchange, the main headlines from the year may be summarised as follows:

- The number of targeted beneficiaries from current overseas projects has almost doubled year on year, from 468,000 to 893,000. Others will benefit indirectly from our work within particular sectors and our overarching policy and campaigning work.
- Total income for the charity rose from £3.47 million to £4.15 million, a 20% increase.

<i>£'000s</i>	2007-08	2008-09	2009-10	2010-11	2011-12
Incoming resources	3,258	3,187	3,570	3,465	4,148

- The level of donations from the general public net of costs hit target and was at the same level as 2010-11 despite the recession. The cost:income ratio for our public fundraising improved from 1: 5.6 to 1: 6.2 (1: 5.0 if legacies are excluded, down from 5.4 in the previous year as salary costs increased whilst income remained flat). These figures compare favourably with charity sector averages of 1: 3.0 and 1: 4.0 respectively; and were also better than our target for the year of 1: 4.3.

<i>£'000s</i>	2007-08	2008-09	2009-10	2010-11	2011-12
Donations	1,606	1,475	1,428	1,426	1,439
Legacies	181	50	11	55	328
Total public fundraising income	1,787	1,525	1,439	1,481	1,767

- We have also seen some 12% growth in the value of our charitable expenditure.

<i>£'000s</i>	2007-08	2008-09	2009-10	2010-11	2011-12
Charitable expenditure	2,516	2,759	3,216	2,648	2,976

- The value of new grants raised was £2.37 million. This was slightly below the level achieved in 2010-11 (£2.5 million) and was below our £2.5 million target for the year, but is nonetheless a reasonably pleasing result.

<i>£'000s</i>	2007-08	2008-09	2009-10	2010-11	2011-12
Value of major grants	761	4,355	1,823	2,547	2,372

- Our project portfolio has been implemented successfully with most projects well on track.

- We have initiated a greater level of collaboration with Traidcraft plc on a joint Producer Support and Innovation programme, and the outcomes of this new approach look promising.
- The charity’s reserves position has been restored to a level above the target minimum set by the Board, for the first time in three years. This was largely due to a number of generous legacies received, totalling £328,000 (2010-11: £55,000). However, even excluding all legacy income, Traidcraft Exchange would have broken even during the year.

<i>£'000s</i>	2007-08	2008-09	2009-10	2010-11	2011-12
Unrestricted surplus/ (deficit)*	185	(310)	(260)	184	392
Unrestricted reserves	971	757	494	553	824

**before other recognised gains and losses (defined benefit pension scheme and exchange rate movements)*

We have also been encouraged by developments in a number of aspects of our Monitoring and Evaluation systems, and in particular by collaboration with the University of Bath to establish a robust and affordable tool to assess beneficiary perceptions of their wider well-being, in line with our strategic emphasis on moving beyond income measurement alone as a measure of impact. We believe that the design of new project proposals is now taking more account of our new strategic intents, and in particular of the need to focus more on gender and environmental/climate change issues in the way projects are developed and prioritised.

The principal risks identified by the Board relate to potential decline in the level of restricted and unrestricted donations, and a growing need for more “match funding” as institutional donors are tending to fund a lower proportion of the true costs of each project. With a high proportion of our grant income coming from the UK government and European Commission we are vulnerable to cutbacks in government aid expenditure, and economic recession may reduce the public’s ability to give generously. To mitigate these risks we are seeking to diversify further our sources of funding, both institutional and public, and will seek to sustain our reserves at adequate levels to cope with short-term fluctuations in income.

Looking ahead, our priority in 2012-13 is to deliver growth in our overall scale and impact through continued implementation and development of our project and policy programmes and effective fund-raising.

Our aims and activities fully reflect the purposes that Traidcraft Exchange was set up to further. The trustees have referred to the guidance contained in the Charity Commission’s general guidance on public benefit when reviewing our aims and objectives and in planning our future activities. In particular, the trustees have considered how planned activities will contribute to the aims and objectives they have set. We believe our work and impact are as important as ever in the fight against global poverty.

SUMMARY OF TRAIDCRAFT EXCHANGE FINANCIAL RESULTS

For the year ended 31 March 2012

INCOME AND EXPENDITURE ACCOUNT	Unrestricted	Restricted	Total	Total
	Funds	Funds	2012	2011
	£000	£000	£000	£000
INCOMING RESOURCES				
Incoming resources from generated funds:				
Voluntary income				
Donations from individuals	1,436	3	1,439	1,426
Legacies	328	-	328	55
Trusts and charities	17	-	17	42
Investment income	2	-	2	1
Incoming resources from charitable activity:				
Grants from institutional sources	-	2,348	2,348	1,859
Other income	11	3	14	82
Total Incoming Resources	1,794	2,354	4,148	3,465
RESOURCES EXPENDED				
Cost of generating funds	606	-	606	542
Charitable activities	773	2,203	2,976	2,648
Governance and other finance costs	23	-	23	36
Total Resources Expended	1,402	2,203	3,605	3,226
Net incoming resources before other recognised gains and losses	392	151	543	239
Other recognised gains and losses	(86)	-	(86)	26
Net Income for the Year	306	151	457	265
FUNDS AND RESERVES				
	2012	2012	2011	2011
	£000	£000	£000	£000
Restricted funds		404		253
Unrestricted funds - Designated		30		11
Unrestricted funds – General	824		553	
Unrestricted funds – Pension Reserve	(213)		(229)	
Unrestricted – Total General		611		324
Total funds and reserves		1,045		588

The full audited accounts for Traidcraft Exchange may be found at:

www.traidcraft.co.uk/financialaccounts **Signed: The Trustees of Traidcraft Exchange**

F. IMPACT REPORT

The following pages seek to summarise Traidcraft's impact against a range of measures. More detailed reports and a wider range of data are available on our website as supplementary or supporting information, and links to these are referred to in the footnotes. The data for the value of purchases, beneficiary numbers, environmental impact and stakeholder feedback has been independently assessed and approved by an external consultant, and our auditors have checked the consistency of figures with our audited accounts for Traidcraft plc and Traidcraft Exchange.

A summary of our principal quantifiable impact objectives is in the table below:

	2011/12 Target	2011/12 Actual	2012/13 Target	Long-term Target
Project beneficiaries	400,000	893,000	875,000	500,000 by 2013/14
Increased charitable spend	£3.26 million	£2.98 million	£3.4 million	15% p.a. growth
New grants raised	£2.5 million	£2.37 million	£2.75 million	£3 million by 2013/14
Value of plc purchases (3 year rolling average)	£4.2 million	£4.06 million	£3.8 million	Growth in line with turnover
Added value of purchases by Traidcraft plc	10%	10%	10%	10% above commercial market prices
Producer support funding raised for plc suppliers	£128,000	£200,000	£150,000	£250,000 by 2013/14
Proportion purchases from category A/B producers	80%	81% food 84% crafts	80%	80%
Total supporters/ Supporters with multiple connections to Traidcraft	90,000/23,000	87,000/25,000	92,000/27,000	10% per annum growth in both categories

Reduced carbon footprint	Reduce	-10% (adjusted)	-5%	-5% per annum
Staff survey rating	7.5	7.2	7.5	Minimum 7.0; above 7.5

1. DIRECT IMPACT ON BENEFICIARIES THROUGH TRADING AND SUPPORT ACTIVITIES

Traidcraft has two key goals relating to direct impact on beneficiaries:

- *Improved and sustainable incomes for poor people;*
- *Greater dignity and opportunity for poor people.*

We seek to achieve these goals both through the trading and producer support activities of Traidcraft plc and the implementation of projects through Traidcraft Exchange.

In setting our strategic objectives for the next few years, we were conscious of the limitations of our current impact indicators in giving a full and rounded picture of the effects of our work. Over the past year we have therefore invested in developing improved Monitoring and Evaluation frameworks, whilst acknowledging that it will be some years before these can give us the data that we need to assess our impact effectively. We are pleased with the progress we have made in developing systems that will be robust and practical to implement. In particular we are working with the University of Bath to develop a way of measuring perceptions of well-being among programme participants, which will give us a better indication of whether we are promoting human flourishing in line with our Vision Statement. The diagram below shows the various dimensions of well-being that we are seeking to measure, which include material, social and spiritual well-being.



‡ Credit: Wellbeing & Poverty Pathways, an ESRC/DFID Research Project, led by the University of Bath (www.wellbeingpathways.org).

This innovative approach was piloted in March 2012 and we will undertake further pilots over the coming year, with a view to integrating the measurement of well-being into our programmes from 2013 onwards.

We have also been working with other members of BOND (an umbrella organisation for UK overseas development NGOs) to develop a framework for assessing the impact of markets and livelihoods programmes including appropriate indicators and means of assessing change. We are especially interested in developing more effective and consistent ways of measuring change in income and initiated some work on this. In addition we have developed and begun to use our own Business Sustainability tool to help us assess how far the producer organisations with which we work are becoming sustainable enterprises, and what further inputs would most benefit them.

Until these new tools are fully embedded, we continue to use a number of existing measurement systems to assess our impact, acknowledging that in some cases they can be viewed only as proxy measures.

Impact on producers supplying Traidcraft plc

a) Developing World Purchases and advances to producers[§]

Purchases by value

For many years we have reported the value of Traidcraft’s purchases from our suppliers, focusing on the three year rolling average to smooth out distortions from variations in the precise timing of bulk purchases. As the table below shows, we failed to meet our target in 2011/12, with the rolling average value of purchases falling by 3.9%. If converted into US dollars (the currency in which most of our purchases are made) using the average cost of dollars purchased by Traidcraft, the rolling average figure decreased by 7% year on year.

	2007-08	2008-09	2009-10	2010-11	2011-12
<i>£'000</i>					
3-year average purchases	3,867	3,840	4,058	4,229	4,063
Target for 2011-12					4,200

The actual value of purchases in the twelve month period 2011/12 amounted to £3.56 million, well short of our anticipated level of £4 million. This reflected the impact of declining sales of Traidcraft products, and especially lower volumes of Geobar sales being achieved. It also reflects reduction in the levels of bulk food ingredient stocks as we seek more efficient management of our cash resources. It should be noted, however, that the 2011-12 figures are distorted by some

[§] For a fuller set of data, see www.traidcraft.co.uk/impactreport/supportinginfo

timing differences with some large orders of some commodities received in March 2011, rather than in April 2011 as expected. This inflated the prior year and reduced 2011-12 figures, making the contrast in volumes appear greater. This is why we choose to focus more on the three year average, as it smoothes out such timing differences.

The total value of crafts orders placed rose 15% to £1.24 million (2010-11: £1.08 million).

We would hope to see the value of purchases in 2012/13 growing a little from this lower level, as the impact of the stock reduction works its way through and sales recover, but it is unlikely that we will see a major bounce back in the year ahead.

Purchases by volume and added value measures

Measuring the value of food and ingredient purchases alone can be misleading however, because the numbers are affected by world market prices. We therefore monitor the volumes (tonnage) of purchases by each key commodity, as a better indication of how trends are going. We also estimate how the average price that we pay for our ingredients compares with the world market prices for each commodity, to give a sense of added value to producers within these figures.

The volume measures for 2011/12 (see table below) show that in most categories we have had a reduced impact, as our sales turnover has declined.

2011-12	Proportion of total ingredient purchases by financial value	Change in volume/tonnage of purchases	Prices paid (% above market price)
Coffee	22.5%	-12.6%	8.6%
Dried Fruit	19.0%	-56.0%	10.9%
Charcoal	17.4%	-28.4%	8.3%
Honey	8.8%	+16.2%	22.9%
Tea	7.3%	-8.8%	14.9%
Sugar	6.8%	-16.8%	7.9%
Cocoa	5.2%	+0.8%	5.5%
Nuts	5.1%	+12.0%	3.0%
Rice & Grains	2.5%	+20.1%	3.4%
Juice	1.8%	-58.5%	6.9%
Rubber	1.5%	+16.5%	5.1%
Wine	1.4%	-49.3%	2.7%
Fresh Fruit	0.6%	n/a	5.3%

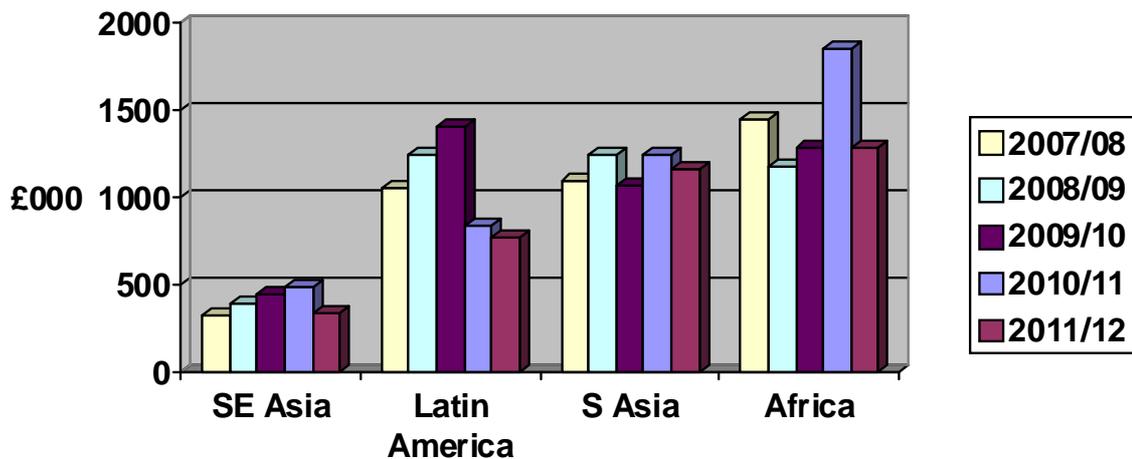
In total we paid 9.7% more for our fair trade commodities compared to the market rate. This compares with 10.5% in the previous year, the difference reflecting fluctuations in the market prices with which we are comparing ourselves and the different mix of commodities we are trading.

Both these measures have their limitations. We cannot aggregate the volumes into a single measure (comparing the volume/weight of charcoal purchases with that of an ingredient such as honey does not give a measure of relative impact). The price differential moreover is only one of the benefits of fair trade (other factors such as sustained relationships, provision of advice etc are not readily quantified – though we report on producer feedback below).

Regional breakdown of sourcing

The decline in volumes from every region shown in the chart below reflects the general decline in our sales and therefore the purchases we have needed to make to sustain adequate levels of stock.

Regional breakdown of purchases (direct purchases)



The decline is particularly marked for Africa, despite our wish to prioritise purchases from that Continent. This reflects a reduction in the volume of raisins purchased, but also the timing of receipts of raising orders, and a decline in the volume of charcoal purchased for sale through the Co-op. We do not expect raisin sales to recover markedly in 2012-13, as the price of South African raisins has risen to levels that are uncompetitive. As our supplier can sell their volumes locally, we have agreed to invest more in producer support to that supplier to offset the reduced Fairtrade premium, whilst sourcing more of our raisins from Afghanistan and Chile – where we are seeking to encourage the establishment of new supply chains.

Interest-free advances to suppliers

Unlike many commercial Fairtrade licensees, Traidcraft is committed to making interest-free and unsecured advances to producers where these are required, although we also encourage producers to become less dependent on this over time so they are more commercially

sustainable. This can be essential, as many small-scale producers cannot otherwise access credit facilities. Traidcraft also chooses to make payments through Shared Interest (a fair trade financial institution which supports many fair trade transactions) so that our producers are also able to borrow further funds against the security of our orders.

£'000s	2007-08	2008-09	2009-10	2010-11	2011-12
Total advances made	660	731	823	821	529

At 31 March the total value of advances outstanding was £385,000 (2011: £553,000). This reduction reflects the declining volume of purchases during the year. The average value of advances outstanding during the year was £276,000. This represents a cost to Traidcraft of approximately £7,000 at current interest rates, but we estimate that the value of these interest-free advances compared to commercial advances that producers would otherwise have had to raise (if available at all) would be in the region of £41,000, given that many would have to borrow at rates of 15% per annum or higher.

b) Sourcing from marginalised producers, additional support activity and fair trade relationships

Prioritising sourcing from Category A/B suppliers

Over the past three years our purchasing policies have evolved to help us focus our buying increasingly on more marginalised suppliers, as a route to maximising our impact (noting that this is not the most commercial approach to take in supply chain management, as it adds risk and brings quality and management issues).

To achieve this focus we classify each supplier as belonging to one of three categories:

- Category A suppliers: less developed or younger businesses, with whom we choose to trade because of their developmental potential despite their often having a limited commercial capacity. In some cases we may work directly with these groups, in others it may be more effective to work through one of our southern-based trading partners. Our general intention is to source about 50% of the value of our direct food/grocery purchases and up to 20% of our crafts purchases from this category of suppliers. Over time, we hope to see these suppliers graduating to Category B status as their businesses become more robust.
- Category B suppliers: long-term fair trade partners, from whom we seek to make regular purchases but who are less in need of additional development support. A further 30% of foods/groceries and 60% of crafts should be sourced from this category.
- Category C suppliers: The remaining 20% of our purchases may be sourced from other fair trade suppliers, but without our committing to longer-term relationships. We need to source from such suppliers to provide variety in our ranges, allow us to test out new sectors/products and to supplement shortfalls in supplies available from existing Category A and B suppliers.

We are not able to analyse in the same way the sourcing of ingredients by other fair trade brands which we sell (such as Divine and Cafédirect products), but recognize that such fair trade organisations will similarly be seeking to maximize their impact on smaller-scale beneficiaries.

In 2011/12 the breakdown of our purchases by type of supplier was as follows:

2011/12	Category A		Category B		Category C	
	% volume	% value	% volume	% value	% volume	% value
Grocery	61.4%	43.2%	19.0%	38.1%	19.6%	18.7%
Crafts	-	6.7%	-	76.9%	-	16.5%
2010/11						
Grocery	68%	51%	21%	34%	11%	15%
Crafts	-	20%	-	68%	-	12%

The relatively low proportion of crafts sourced from Category A producers in 2011/12 reflects the re-categorisation of three significant suppliers into Category B status, as we have assessed them as no longer needing the same level of support – a pleasing sign of their development. We began new relationships with four crafts suppliers, four of them from Africa, and would hope from those to replenish the number of Category A suppliers.

51% of crafts orders came from our top ten suppliers (all Category B status), a reduction from the 61% figure last year. We welcome this as we seek to spread our impact more evenly.

We seek to sustain the value of orders to each of our Category A and B crafts suppliers, and in 2011-12 we met 83% of our indicative order commitments (2010-11: 72%). The remaining 17% reflects not our lack of commitment, but in all cases late or inadequate quality product offers from the producers.

In the course of the year three crafts suppliers unfortunately went out of business: Fundacion Solidaridad (Chile), Dezign Inc (Zimbabwe) and AMWA (South Africa). This reflects the fragility of some of our suppliers in the current economic climate. We also agreed with Kwanza in Tanzania and Jahanara in Bangladesh that we would cease to trade directly with them, although we will still source goods from Jahanara’s producers via Jute Works.

For grocery products we continued work to bring on new category A suppliers in cocoa, rice and sugar and made good progress in all three commodities. During the year we also recategorised some suppliers of sugar and tea as category C due to their continued high profile in supplying these commodities into mainstream brands. We have gradually disengaged from these suppliers since our volume of trade is minimal compared to mainstream Fairtrade. Across all grocery products we had 14 category A suppliers and 33 category B suppliers.

Producer Support activity

As well as paying fair trade prices and in many cases additional premiums to our suppliers, Traidcraft provides technical inputs through visits from our own product development, quality and evaluation teams, and we seek to make long-term commitments to place regular orders with

many of the groups from whom we source. Beyond this, Traidcraft also provides additional investment for a range of producer support activities, based on consultation with groups about their needs. In prioritising our activities we particularly seek to support our Category A producers, but will from time to time be able to provide support to others as well. A full report on these activities during the year can be found on our website** but examples include:

- Design workshops (ceramics, glass, alpaca) for crafts suppliers Allpa and Minka in Peru, and CreArte in Guatemala, supported by teams from the Universities of Sunderland and Northumbria.
- Support for honey farmers at CIPAC in Guatemala to plant trees and diversify their income from coffee.

“The members were very motivated to participate in this project; they are receiving direct benefits from the project; but it has facilitated too the conversation about the environment; the challenges we have in this area, and what we can do reduce the risks and be better prepared”

- Soil fertility and irrigation consultancy/training for MiFruta raisin growers in Chile.
- Training to strengthen co-operative structures at Eksteenskuil Agricultural Co-operative, our raisin producers in South Africa, and working in particular to strengthen the skills and role of women within that group.

“I am now more positive, because I learnt about breaking up objectives and plans into smaller manageable steps. This will make things less complicated”

- Fair trade awareness training and provision of 100 bicycles for workers at the Jumbo charcoal co-operative in Namibia.

“When the workers receive a bicycle they only have to pay half. It’s a really good idea. I would never be able to buy a bicycle myself as they are so expensive. The bicycles make the journey home easier and safer”

- Technical assistance and investment in tea leaf weighing facilities for two smallholder tea farmer associations in Malawi.
- Fair trade awareness training for jewellery workers at Manjeen in India.

“At the end of the birthday celebrations, a new artisan came up to speak and said how much he had learned (about fair trade). It was obvious to me that the two training/celebration events have been very important in bringing the artisans together as a group. It has only happened so far for these events and is helping Manjeen to build a sense of a network amongst its artisans”

- Training a group of formerly trafficked women in felt making skills to help them generate income, working with Get Paper Industry in Nepal.
- Provision of improved equipment for rice milling facilities at Nam Om in Thailand.

** www.traidcraft.co.uk/impactreport/supportinginfo

- Product development workshops, website improvements and training for workers in vermi-compost and organic vegetable growing at hand-made card supplier SHAPII in the Philippines.

In the last year, Traidcraft plc was able to generate £126,000 (2010-11: £67,000) in funding to sustain this type of activity from its own finances, by passing on an agreed proportion of commission payments from our licence partners for tissue and charcoal products, and by supporting our supplier Apicoop in securing funding from Co-op Retail to invest in infrastructure to support their production of blueberries. In addition in 2011-12 we began to seek external funding through Traidcraft Exchange for producer support work not related directly to supporting purchases by the plc, and raised an additional £74,000. This will enable us to expand the scale of this programme in future years.

Taken together this represents a trebling of the value of producer support funding. In financial terms this is a larger figure than the net impact of declining purchase volumes (which reduced the additional value paid in the year by about £100,000) – although the benefits are not distributed in the same way, so not every producer group will receive the same level of benefit.

Feedback from plc suppliers

As part of our rolling programme of producer evaluation we ask a selection of our producers to give us feedback on how they rate us. We believe we are the only fair trade organisation in the world to be doing this on a systematic basis.

This year feedback was received from six suppliers to Traidcraft plc, and their responses may be found on our website^{††}.

We ask to be rated against 13 different aspects of our relationship, with the following scale:

- Green (very good): 58 scores
- Yellow (generally satisfactory): 13 scores
- Orange (less than satisfactory): 3 scores
- Red (poor): 0 scores
- No response given: 4 scores

The three orange scores both related to producers wishing to receive more capacity building support for non-trade related activities, where we had not been able to allocate funding or had not deemed the supplier group to be as high a priority as some other needs.

Some of the comments our producers made about our trading relationship with them this year include:

“We are receiving full support from Traidcraft to achieve our objectives with growing and regular work for our producers.”

“Evaluation and sharing of information has convinced us that there is fair wage in all the Traidcraft orders.”

^{††} www.traidcraft.co.uk/impactreport/supportinginfo

“There is regular support from Traidcraft to develop new products, quality improvement. We hope to get more support in our social activities and business activities with their professional abilities.”

“Yes it is very smooth operation, That would assist to run the business conveniently and artisans get yearlong jobs, It allows to plan; but xxxx would love an increase in the number of products that are chosen.”

We are pleased by this continued high level of positive feedback. However, based on discussions with our external assessor and in light of the developments with our producer support work, we will seek to evolve our feedback mechanisms in future years. We anticipate that we will move to an annual system of gathering feedback on our fair trade buying practices from all of our suppliers, as well as project feedback from those we are supporting further through our support programme, We will continue to seek more detailed feedback on our practices and our impact from individual supplier groups periodically during producer visits.

Impact on participants in Traidcraft Exchange’s overseas programmes

Traidcraft’s Annual Development Review^{##} provides a good flavour of the nature of our overseas programmes, which are implemented by our three overseas offices in India, Bangladesh and Kenya in conjunction with local partner organisations.

Typically we raise funds through major grants, supplemented by donations from the general public, to undertake projects that build on Traidcraft’s practical trading experience, but which will bring wider benefits to a larger number of beneficiaries. Often our overseas projects involve group formation, assistance in productivity and diversification of products and markets, private sector linkages and supporting adaptation to climate change.

The current portfolio of Traidcraft’s overseas projects is summarised below:

Region	Sector/target beneficiary group	Target total number of project beneficiaries	Total project value (£'000)	Lead funding partner	End date
<i>CURRENT PROJECTS as at 31/3/2012</i>					
India	Cotton farmers	3,895	385	DFID	2012
India	Textiles workers	130,000	1,805	EC	2013
India	Local fair trade labeling	39,485	147	ICCO	2012
India	Crafts – child labour	15,000	625	EC	2015
Bangladesh	Jute growers	21,980	484	DFID	2014

^{##} www.traidcraft.co.uk/Resources/Traidcraft/Documents/PDF/tx/DevRev2012.pdf

Bangladesh/India	Jute manufacturers	125,000	767	EC	2014
Bangladesh/India	Smallholder tea growers	255,000	1,161	EC	2016
Kenya	Small farmers	25,000	625	IFAD	2012
Kenya	Beekeepers	28,430	488	Big Lottery Fund	2012
Kenya	Small farmers	10,000	364	Christian Aid	2014
Kenya	Smallholder tea growers	180,000	464	DFID	2015
Kenya	Smallholder tea growers	3,000	24	UK trusts	2012
Tanzania	Beekeepers	3,500	377	EC	2012
	Sub total	840,290	7,716		
	PROJECTS COMPLETED DURING YEAR				
Bangladesh	Small farmers	12,625	532	EC	
Kenya	Cotton farmers	12,950	149	Comic Relief	
India	Women & young people	27,430	437	Big Lottery	
	Totals	893,295	8,834		

Number of TX beneficiaries^{§§}

The number of target beneficiaries in the table above assumes an average of five family members for each project participant. The equivalent total number last year was 468,000 (though we reported a figure of 392,000, based on a different methodology), and our stated strategic target is to achieve a scale of programme by 2014 that would be reaching 500,000 beneficiaries. We are therefore already exceeding that target substantially, with 893,000 beneficiaries targeted in projects on which we worked during the year.

This apparently large increase in target beneficiary numbers reflects the nature of some of the new projects started during the year, which are aimed at influencing the well-being and incomes of large numbers of producers in a particular region or sector. Inevitably, however, the scale of impact on each participant in this type of project will be less than in some of the more narrowly targeted projects, which may have fewer intended direct beneficiaries but where we can also learn more from our closer level of involvement and have a larger direct impact on each participant.

^{§§} See www.traidcraft.co.uk/impactreport/supportinginfo for more detailed tables and explanations of our definitions of beneficiaries.

As many of the larger-scale projects are only just getting under way during the year, the actual number of project participants in 2011-12 was much lower than the ultimate target number of participants, and we estimate that 46,126 people were directly involved – therefore impacting on some 230,630 people after allowing for their dependents.

Because many of our projects have the aim of improving practices and policies across whole sectors, we also hope to have an indirect impact upon even larger numbers of producers. This impact is impossible to measure or quantify, but the figures below give some sense of the number of people working in the key sectors and regions on which we are currently focusing:

- 35 million people are engaged in the jute sector in Bangladesh and India.
- 15 million smallholder cotton growers in Kenya, Bangladesh and India.
- 0.6 million smallholder tea growers and almost 15 million people are dependent on the tea sector in Kenya, Bangladesh and India.
- About 2 million rural people are engaged in beekeeping in Tanzania.
- 277 million small producers are involved in craft production in Kenya, Bangladesh and India.

In addition to these figures, we should recognize that the impact of our policy and advocacy work on issues such as trade rules and company practices will potentially have even wider impacts. However, these are so indirect in nature that it is impossible to try to quantify them.

Project implementation

We apply “traffic light ratings” to each of our current projects to assess how far they are on track to achieve their stated objectives. During the year we have been working to enhance this system, by applying ratings to a range of different dimensions of each project, and have sought to be more rigorous in our marking.

Of the 19 current externally funded projects (including two policy projects not in the table above), 11 had a green light at the year end, meaning they have good prospects of delivering their goals. Seven were on “amber” status (meaning that we have identified some issues of concern that need to be tackled), and two were considered “red”, meaning they are at risk of not delivering their goals unless significant action is taken. We apply additional staff resource to work with our local partners on projects with amber or red status in order to bring them back on track. We are generally confident that this will be the case with all the current amber-rated projects.

One project remained at red all year – the Sustainable Textiles project in Rajasthan, India. This was the effect of delays firstly in obtaining government permission to proceed with aspects of the work, and then in crafts firms moving into the new facilities created as part of the project. The project has proved more challenging and time-consuming than expected. However, we do now expect the project to complete successfully in 2012-13.

The other red project is a small-scale pilot to work with tea farmers in Kenya to encourage honey and passion fruit production as supplementary sources of income. This has been seriously

impacted by the departure of some key senior managers in the tea factory, with their successors being less interested in the project. We nonetheless hope it will soon be resumed.

Project design

We have made continued improvements in the design of new projects, promoting the use of tried and tested project design tools and processes, and we have made good progress in developing improved indicators of impact, including the measurement of flourishing or well-being, business sustainability and income levels, although all remain work in progress.

We have also made progress in pulling together our thinking on issues such as tackling gender inequality and best practice in producer group formation. For example a specific project has now been developed (funding not yet secured) to promote the empowerment of poor and vulnerable women in Bangladesh jute supply chains, of whose needs we had become more aware through our previous and current jute projects.

Feedback from major donors is making it clear that new projects need to be built on much greater levels of beneficiary consultation. Although we understand the logic behind this approach and its value in improving project design, we have some reservations about the danger of creating expectations that will be disappointed if funding does not ensue. We are seeking to raise and allocate more funds to our Catalyst Innovation Fund, to enable us to carry out such preliminary work to a greater degree, and will work hard to manage beneficiary expectations.

The Board decided to create a Development Advisory Committee of external development experts to assist us in improving the quality of project design and to help the Board monitor and evaluate project implementation. Its first meeting is planned for July 2012.

Project evaluations

Final evaluations were carried out on four completed projects.

Two were considered highly successful:

- The SLIPP project working with smallholder farmers in two districts of Bangladesh:** had excellent impacts in increasing income, improving resilience and creating a sense of pride and community within the groups that had been formed. Income increases from vegetable farming were on average 52% and 78% in the two districts, compared with control group increases of 20% and 22% respectively; fishing income increased by 62% compared to 21% in the control sample, and income from duck rearing showed a 71% increase in comparison with 26% in the control group. These increases have led to increased expenditure on education, health care and other benefits. Improved market and private sector linkages were more variable than hoped, because interventions had been undertaken at a relatively late stage of the project, although private sector providers of agricultural inputs played an important part in the project. Funding has been secured for follow-on work in these sectors, and learning from the project can be taken and applied.
- Improving livelihoods of women and young people in Tamil Nadu:** The project exceeded its targets. 2,778 young people were trained (target 2,500) and 84% were placed in jobs. 2,708 women receiving training (target 1,500) and had been formed into self help

groups with over 200 animators and representatives trained to help them function well. Average annual income for the women had improved by 3,335 rupees per month, more than our target of 2,000 rupees per month.

Two projects were judged to have mixed results:

- **Cotton farmers in Karnataka (southern India):** 24 farmer self help groups and 31 labourer self help groups had been formed, involving 33% more people than targeted. Income had increased but less than hoped. Farmers were found to be less indebted, more open to learning and improving cultivation practices and were more able and willing to articulate their entitlements. However, the three-year timescale of the project proved too short for the full benefits hoped for to have been realized.
- **Cotton farmers in Kenya:** Yields did not increase owing to a succession of droughts in the region. It was decided not to adopt Fairtrade practices as intended, since the benefits were deemed insufficient in a market where prices were rising anyway. However, 70 groups had been formed and were proving effective; sustained links with a ginnery had been created and were improving the efficiency of trade. New farming techniques had improved water conservation and resilience to changing weather patterns, and cotton yields were expected to improve as a result of better techniques if normal rain patterns resumed.

As reported last year, we stopped a project in 2010/11 to generate **post-tsunami employment in the Andaman and Nicobar Islands** because it had become clear that it would not deliver its objectives. A post-project evaluation identified some key learning points: the remoteness of the islands had increased the risk of project failure; the selection of partner NGOs and communication with them had not worked well; milestones could have been set more tightly. The project had also suffered from changes in the leadership of the local NGO, affecting their ability to implement effectively.

Partner feedback

This year we chose to survey the reactions of Indian stakeholders to the work of Traidcraft Exchange, as part of our rolling programme of such evaluations. The feedback report can be found on our website^{***}.

Eight partner organisations, two donors and five consultants were interviewed by an independent consultant. The majority of respondents were positive about our work and demonstrated an excellent awareness of Traidcraft's structures and role in the region. They encouraged us in the shift of our focus towards northern states within India, but some wanted to see us doing more in relation to textiles and smallholder agriculture. It was perceived that our projects were well managed and that Traidcraft had a good reputation for project delivery and fair trade expertise. Our Christian identity was understood and not seen as barrier to our work, although it was felt by some that it could become a hindrance in some areas if it were more heavily emphasized.

We will make some adjustments to project management and payment systems in the light of some of the comments received, and the encouragement to do more in north India and with

^{***} www.traidcraft.co.uk/impactreport/supportinginfo

smallholder farmers is consistent with a scoping study for potential work in that region undertaken in the year.

2. INNOVATION & INFLUENCE REPORT

The indirect impact of influencing others is even harder to measure and attribute than the direct impacts Traidcraft has on its beneficiaries, and is usually longer-term in its nature. Nevertheless, influencing large businesses and government decision makers is hugely important in creating an environment in which more people can be enabled to lift themselves out of poverty and is one of our three main strategic goals. Its potential impact is far wider than that which can be achieved through direct trading and support interventions alone, although to be effective in influencing we need the credibility and learning that only comes through such direct activities. It is the combination of these complementary activities that we believe is fundamental to our ability to achieve lasting change.

We reflect on our work in this area under three headings:

- Policy and advocacy work
- Supply chain innovation
- Influencing the fair trade movement

Policy and advocacy work

<i>CURRENT POLICY PROJECTS AND WORKSTREAMS (as at 31 March 2012)</i>	Project aim	Total project value (£'000)	Principal funders	End date
UK supermarkets	Establishment of Adjudicator with suitable powers	-	EC, Traidcraft	2012
European retailers	Improved livelihoods of workers and farmers supplying EU retailers	1,110	EC	2014
Economic Partnership Agreements (EPAs)	EC amends EPAs, to remove aspects that work against interests of developing countries	-	EC, Traidcraft,	Ongoing
EU-India Fair Trade Agreement	The interests of smaller enterprises are taken into account as the FTA is negotiated	-	Traidcraft, Commonwealth Foundation, Heinrich Boll, Network for Social Change	2013
“Alternatrade”	The EU changes its approach to trade generally, and to raw material sourcing in particular, to promote development	790	EC	2013
Rights of redress	Improved ability of victims to get redress from UK companies	-	Traidcraft	Ongoing
Company practices	Improved impact of company purchasing practices	-	Traidcraft	Ongoing
Commodity trade	Raised consumer awareness of issues in tea, sugar and cotton, leading to action on cotton.	170	DFID, Traidcraft, Christian Aid	2011



Aid for Trade	UK and EU aid for trade/private sector benefits small enterprises		Traidcraft, CAFOD	
Fair Trade	Good practices within the fair trade movement		Traidcraft, Oxfam	

In the table above we have listed Traidcraft as a funder where our contributions far exceed normal match funding requirements from manor grants. As can be seen, much of our policy work is funded by Traidcraft itself, as policy work is often harder to fund. In 2011-12 we contributed approximately £388,000 from our own resources.

A detailed breakdown of our activity may be found on our website^{†††}. Highlights of progress towards our aims during the past year have included:

- Achieving inclusion of the Groceries Code Adjudicator Bill in the May 2012 Queen’s Speech, after fears that it would be stalled.
- The European Commission has established a process, which we have influenced, to improve fairness in EU food supply chains and contractual practices.
- Our campaign to end US cotton subsidies attracted 5,500 campaigners, collaboration with People Tree and Fairtrade Foundation and ultimately support of UK government – although no change in US policy.
- Responsible purchasing guidelines developed by Traidcraft were included in the syllabus of the Chartered Institute of Purchasing and Supply.
- The Indian government revised its proposal for rapid opening of its market to UK retailers.
- We have worked to develop a potential project in East Africa on rights of redress in partnership with a number of major UK retailers – funding now being sought.

However we also note:

- Despite our efforts, the UK government has restricted access to legal aid for overseas victims of corporate behaviour.
- We agreed with DFID that a trade awareness project would be terminated early, as shifting government priorities meant there was a growing mismatch between DFID and Traidcraft objectives.

Supply chain innovation programme

One distinctive aspect of Traidcraft’s work is our commitment to pioneering fair trade in new sectors.

There are currently five areas on which we are working:

- **Rubber:** Our fairly traded rubber gloves, produced with partner BMPolyco, are being sold in Asda and Waitrose and through Traidcraft itself. However, we are disappointed not to have secured a major contract that could have led to major growth in this area.

^{†††} www.traidcraft.co.uk/impactreport/supportinginfo

- **Charcoal:** The product is successfully launched in Co-op, although sales were lower in 2011 owing to poor weather. It is hoped that we can now take the product into other retailers and brands with our partner Rectella.
- **Stevia:** We have developed a partnership with a Swedish firm to develop the first fair trade supply chain in stevia, a natural sweetener – to which existing Fairtrade standards can be applied now that it has been agreed that stevia may be used in products sold in the EU.
- **Palm Oil:** We have made excellent progress in working towards a fairly traded supply chain for palm oil for Ghana, working with Fulwell Mills and Dr Bronner. The Food Retail Challenge Fund (run by DFID) has accepted an initial concept note seeking funding to support this initiative.
- **Jute:** Limited progress has been made in pursuing this, given lack of interest from Fairtrade International.

We have been extremely disappointed at the lack of progress in developing a Fairtrade Innovation label, which the Fairtrade Foundation had been indicating they were willing to collaborate on. Without such a label for standards under development, the process of proving a business case for a new sector/commodity is made infinitely slower and more difficult.

We have also been working to seek to extend Fairtrade sourcing to new countries and more marginalised producer groups. This has included work on cocoa from the Ivory Coast, African coffee suppliers, honey from Tanzania, Malawi and Zambia, and sugar from Swaziland. All remain work in progress.

Influence on fair trade movement

Traidcraft continued to be involved in a large range of roles within the Fair Trade movement, seeking to help it develop greater impact, and assisting in the promotion of fair trade in the UK and beyond.

- Joe Osman (Sourcing Director) became Vice Chair of the Fairtrade Labelling Organisation (FLO)'s Standards Committee.
- Paul Chandler (Traidcraft's Chief Executive) and Mags Vaughan (Business Director) were co-chairs of the UK Fair Trade Leaders Forum throughout the year.
- Melissa Duncan, Traidcraft's former Head of Communications, continued to act as Vice Chair of the Fairtrade Foundation. Traidcraft has been active in helping to convene meetings of the Founders of the Fairtrade Foundation, who have begun to meet more frequently during the year.
- Paul Spray is on the Board of the Fairtrade Advocacy Office in Brussels, which is chaired by Traidcraft non-executive director Jenny Borden.
- Traidcraft is the UK member of the European Fair Trade Association, with Paul Chandler a member of the Executive Committee. During the year we have hosted meetings of the chief executives and of food sourcing and quality managers from across the EFTA network.
- Although Traidcraft plc decided to withdraw from membership of the World Fair Trade Organisation, owing to concerns over governance and prioritisation of WFTO activity, Traidcraft Exchange has remained a member in order to retain an ability to engage and influence the organisation and to show solidarity with its members, some of whom also supply Traidcraft plc.

- We have continued to support the Shop for Change initiative, developing a fair trade label within the domestic Indian market. Maveen Pereira, South Asia Director, is a member of their Board.

Headlines from the year:

- Fairtrade sales in the UK grew by some 10% to approximately £1,300 million in 2011.
- Fairtrade International has amended its governance to give more influence to producer networks within its General Assembly.
- We note with regret the departure of Transfair USA from Fairtrade International, and the additional financial pressures this may create within the system. However, Transfair USA left because they wanted to adopt weaker standards, and we are pleased that they were not successful in achieving this within the Fairtrade system.
- We have engaged with processes initiated by Fairtrade International and Fairtrade Foundation to consider new models for their approach to standards and labelling. Whilst we welcome some initiatives that could help dedicated Fair Trade Organisations contribute more to the development of standards and producer support, we are very concerned that other proposals to attract more commercial licensees could – unless amended - significantly dilute Fairtrade standards and their impact on producers and mislead consumers. Whilst remaining supportive of initiatives to encourage brands to source fair trade, we will continue to argue strongly for standards and policies that we believe reflect the core values and developmental spirit of fair trade.
- As noted above, we are disappointed at the lack of agreement for an innovation label to support the extension of Fairtrade into commodities such as rubber.
- WFTO appears to be strengthening itself in both governance and financial terms, and is developing a more realistic approach to its priority activities. We welcome this.
- We have carried out work on issues relating to the Living Wage, its strengths and its pitfalls, and how the principles underlying it may best be used within fair trade. We will be using this thinking to challenge some aspects of how we set fair prices in our own supply chains, and using our research and experience to influence debates within the fair trade movement and more broadly.

As may be deduced from the above, we believe that the fair trade movement is at a critical stage. Commercial licensees – whose involvement we welcome but which we have always recognised bring risks too – are beginning to flex their muscles more. In a difficult economic environment the influence of their fees and the desire to pursue sales volume growth rather than quality of impact could more readily affect the agenda of the Fairtrade labelling authorities. Traidcraft will continue to commit itself to working within the system to defend and indeed raise standards and principles, but it is clear that it must at the same time increasingly be ready to differentiate ourselves from the more commercial approaches that are emerging, and if these were to prove too influential we would not allow ourselves to be associated with standards that we do not believe to be sufficiently robust and in line with fundamental fair trade principles.

3. MOBILISATION OF UK SUPPORTERS

In order to deliver any of our three key strategic goals, Traidcraft needs to mobilise support among the UK public: our active supporters, customers, donors and campaigners, without whose engagement we could achieve little. We also believe that as we engage with the general public in these ways we can promote their flourishing, as well as that of poor producers – by helping people understand and feel connected with the things they buy and consume, and feel that they are living in ways that are socially and environmentally responsible.

Supporter Numbers 2011

2011-12	Fair Traders	Mail Order customers	Donors	Shareholders	Campaigners	Total
Fair Traders	6,310 (-1.5%)		1,054	311	812	
Mail Order customers		56,729 (+10.4%)	16,332	401	1,003	
Donors	1,054	16,332	25,172 (+6.6%)	2,697	1,863	
Shareholders	311	401	2,697	5322 (-0.2%)	366	
Campaigners	812	1,003	1,863	366	18,437 (-1.5%)	
Total						87,131 (+4.4%)

During the 2011/12 financial year, the overall number of supporters grew by 3,671 (4.4%) to 87,131, building further on the 15% increase achieved in 2010-11, although we had targeted an increase in numbers to 90,000. This increase was mainly the result of continued growth in numbers in the Mail Order/e-commerce channel, which in turn generated additional income for Traidcraft Exchange through top-up donations. Customer recruitment in our Fair Trader and small retail shop channel has performed better this year, with the 1.5% decline in numbers less marked than the 4% decline in 2010/11.

The Traidcraft Supporter Development Team was established in 2011, in recognition of the ‘single view’ our supporters have of us and to promote our understanding of their motivations. The sales and fundraising teams were therefore brought together and, partly as a result of this, the number of supporters with more than one relationship this year has risen to 25,484 from 22,002 last year, an increase of 15.8%. This exceeded our target of 23,000 people with multiple relationships.

With nearly 29,000 new mail order customers acquired during the year, it is clear that there is quite a churn in this category, and although this is not untypical of mail order businesses one of our key opportunities is to improve retention rates by encouraging first time customers to return to us in the next season.

The increase in donor numbers was also encouraging, with 91% of first time donors being people who already had another relationship with Traidcraft – further underlining the importance of helping our supporters engage across the whole range of Traidcraft activities.



Traidcraft campaigners were important in keeping up the pressure on the government and the EC, with five email actions and two postcards sent during the year. A campaigning toolkit has been prepared for roll out in 2012.

Customer service levels

Providing a high level of customer service and product quality is important to the attraction and retention of support.

- We continued to provide a high level of order turnaround and accuracy, with 99.9% of orders dispatched within 48 hours of the order being received and processed by our customer services department. During the year we processed over 138,000 orders with over 181,000 parcels being sent out.
- Error rates were less than 0.1% in order entry (last year also less than 0.1%), 0.72% on packing (last year 0.65%) on packing and 0.5% about the service of our parcel carriers (last year 0.55%). We consider this satisfactory.
- Food stock availability was good for most of the year, averaging just under 98%. Craft product availability targets are set less high as we aim to sell out of lines during each season, but we do not want to sell out too early and lead to customer frustration. Availability was improved in Autumn 2011 on previous autumn trading seasons.
- The number of complaints or other forms of negative feedback about plc activity rose on 2010-11 levels, partly as a result of our soliciting feedback on certain issues and logging the incidents raised. Whilst the absolute number of pieces of feedback in the table below looks large, in relation to the number of items sold they are in fact at what we judge to be very acceptable levels.

Year	Pieces of negative feedback
2007-08	4,936
2008-09	5,177
2009-10	4,208
2010-11	3,708
2011-12	4,380

- Four complaints were received relating to PFR administration (2011:7); this is about half the industry average rate, related to volumes of direct appeal activity.

Church and schools activity

The number of active church accounts was 3,570, a 3.5% decline on the prior year, but still accounting for 71% of Fair Trader channel sales. Retaining accounts and the stalls that are linked to them is an important way of ensuring our messages are communicated to churchgoers.

The promotion of 'The Real Easter Egg' and 'Meaningful Chocolate Decorations' led to increased sales and donated income from the products and helped to raise our profile in churches, as did our continued logistical support of the Back To Church Sunday initiative. We have received anecdotal feedback suggesting our Christian identity is now more clearly recognised in church circles. In 2012 we will also be working with the More Than Gold initiative to help churches engage with the Olympics, and expect this to further enhance our profile in the Christian community.

Schools offer an important opportunity to communicate trade justice issues to the next generation. We have seen an improvement in both the number of active school trading accounts and new schools. The number of active schools accounts was up 3.6% on last year at 1,046 and school account recruitment was up 9.8% on last year following a successful mailing campaign and good usage of the resources on the Traidcraft schools website.

During the year we overhauled our list of speakers, to remove those who had become inactive. As a result, we now have 363 active speakers compared to last year's 491. Speaker requests logged during the year totalled 791 (2010-11: 925) a high proportion of those being from schools.

Brand awareness

We have not undertaken a brand survey this year, as a cost saving measure. In 2011 a survey indicated that 27% of the UK adult population recognized the Traidcraft name, a significant increase on the 17% figure five years previously. We intend to undertake a further survey in early 2013.

During the past year the Advertising Value Equivalent of media coverage of Traidcraft increased by 10% to £2.5 million.

4. ENVIRONMENTAL IMPACT

Traidcraft's Foundation Principles have always included the statement that "Traidcraft respects all people and the environment", and promoting environmental responsibility has long been a dimension of our work.

As a responsible business and charity we endeavour to understand and reduce the environmental impacts of our activities whilst continuing to grow the scale and impact of our development work. We take seriously the challenge of promoting sustainable consumption practices and offering our customers a responsible product choice.

As an organisation committed to long-term sustainable development, we seek to support the producers we work with to address and adapt to the challenges of climate change whilst recognising that their immediate basic needs are paramount.

Traidcraft's 2011 – 2020 strategic plan puts greater emphasis on addressing both the environmental impacts of our business and the developmental challenges posed by climate change. To enable the required increased attention to environmental strategy, a new

environmental champion role was created in April 2011. During 2011/12 we conducted an assessment of the key environmental impacts of the organisation’s operations and activities across Traidcraft plc and Traidcraft Exchange with a view to setting objectives and targets for the new strategic period. These findings are currently being collated and will guide the development of a cross organisation Environment Action Plan and a set of five year targets.

A full report on our environmental impact is on our website^{###}, but key measures are summarized below.

Carbon impact

The table below estimates the carbon impact of a range of Traidcraft activities.

Source	2007- 08 Tonnes of CO2	2008-09 Tonnes of CO2	2009-10 Tonnes of CO2	2010-11 Tonnes of CO2	2011 – 12 Tonnes of CO2
Importing Air Freight	120	125	140	92	49
Importing Sea Freight	331	236	259	213	126
UK Gas Usage	164	158	150	138	135
UK Electricity usage	<i>G’head: 150 London: 15</i>	<i>G’head: 150 London: 15</i>	<i>G’head:145 London: 15</i>	<i>G’head: 140 London: 15</i>	<i>G’head: 135 London: 15</i>
Staff Air Flights	300	200	175	175 estimate	386 good estimate
Staff Train journeys	<10	<10	<10	<10	<10
Staff car / van travel	35	35	35	35	35
UK carrier activity – carrier 1	46 ^{###}	45	45	45	50
UK carrier activity – carrier 2	200-250	200-250	200-250	200-250	200-250
TOTAL	Approx 1,400	Approx 1,200	Approx 1,200	Approx 1,100	Approx 1,200

The 10% increase in the total carbon cost of our activities relates mainly to a large increase in the carbon cost attributed to staff air flights. This follows more accurate monitoring of flights taken and whether they are long or short haul in nature, rather than a real increase in usage, so the figures shown for previous years must be taken to be an under-estimate. If we assume the number and pattern of flights was in fact similar year on year (which we believe is very likely), then our carbon impact would have fallen just under 10% year on year as a result of reduced freight imports, and the adjusted five year total trend might have been 1,500 - 1,385 - 1,400 - 1,300 - 1,200. The air freight and sea freight reductions reflect the lower volumes of purchases made in the year. Air freight as a proportion of the total reduced from 1.85% to 1.77% (target: 1.75%), with a pleasing reduction in the number of craft lines imported by air.

^{###} www.traidcraft.co.uk/impactreport/supportinginfo

Paper

Another major impact of our commercial activity is the use of paper. During the year we estimate a usage of 161 tonnes of paper across the organisation, the bulk of which relates to catalogues printed and distributed. This is a reduction of approximately 18 tonnes on the previous year.

Recognising the significant impact of this volume of print material, we have taken several steps to mitigate the impact of our mail order business including:

- Catalogue content pages are made from 100% post consumer waste.
- Catalogue cover is printed on FSC certified board.
- Responsible inks are used .
- Both the paper mill and the catalogue printer operate an environmental management system certified to ISO14001 and publish annual statement verified to the EU’s EMAS standard.
- Catalogues are mailed naked (no plastic or other wrapper).
- Returned catalogues are re-used or recycled.
- No reply envelopes are included for postal orders.
- A trial was undertaken of a smaller catalogue format to reduce overall paper weight. While this achieved an environmental aim, evidence showed it impacted negatively on sales and so this will not be a permanent change although we will continue to experiment with different ways of engaging with mail order customers through the use of fliers and emails.
- We are encouraging customers to accept electronic statements and invoices.

Carbon offsetting

Over the past few years Traidcraft has made a positive decision to make funds available to support producers in environmental improvement projects. Many organisations pay external agencies to buy carbon credits or offsetting credits. However Traidcraft chooses to not do this but instead makes a payment into a carbon offsetting fund that is broadly comparable to the amount it would have had to pay to third parties to buy carbon offsets for its freight and UK operational CO2 outputs. Periodically producers are contacted to submit bids for the funding and/or Traidcraft invests this money in projects to support producers adapting to climate change. We do not attempt to match the carbon emitted by our activities with the carbon benefit from the projects funded, but see this fund as a way of providing much needed encouragement and support to producers who wish to make a real difference.

2011/12 saw the launch of our new ‘Together Green’ toilet tissue and as part of our licensing arrangement with the manufacturer, Accrol Ltd, 4% of all sales revenue will be put aside for environment related projects, with a minimum of £8,000 payable in 2012/13.

Environmental goals for 2012/13

Issue	Goal
Total carbon footprint	Reduce by 5%
Airfreight	Reduce to 1.75%
Gas usage	Reduce by 5%

Electricity usage	Reduce by 5%
Packaging	Explore more environmentally friendly packaging options for top five products (by value)
Waste	Reduce waste sent to landfill by 10%
Sales materials e.g. catalogue, fliers, bulletin	Reduce tonnage by 5%
Office paper	Reduce office consumption by 10% Reduce paper statements by 5%
Staff travel	Reduce staff air travel by 5% per head
Climate change	Conduct one environmental impact assessment of a key producer
	Develop one new environment related project

5. STAFF

Our staff are essential to the achievement of Traidcraft’s mission. Treating our staff fairly and with concern for their personal development and well-being is important to us. A fuller report on staff-related statistics is to be found on our website****, but key data is shown below.

Staff numbers and gender balance as at 31 March

		2008	2009	2010	2011	2012
Male staff	Full-time	61	60	53	51	51
	Part-time	4	4	7	7	8
Female staff	Full-time	69	74	64	65	61
	Part-time	33	34	36	34	33
Total		167	172	160	157	153

In terms of full-time equivalent staff numbers, at 31 March 2012 there were 139.6 staff (2011: 143.4).

The above table includes the 17 overseas staff (none of whom are expatriates). Line managers include 23 women and 15 men; within this total the senior management team comprises 8 men and 8 women.

Other statistics

- UK staff included five who have notified us of a disability, and others are known to have disabilities.
- 6.6% of UK staff come from ethnic minority backgrounds, which compares with 3.6% in the local North East population.

**** www.traidcraft.co.uk/impactreport/supportinginfo



- Staff turnover in the year at 16.3% was slightly above our target range of 7.5% - 15%, although turnover within the plc was at the lower end of the target range. Given the unusually high number of retirements within these figures, we do not believe this reflects any issues of concern.
- Days lost through sickness absence fell from 3.2% of available time to 2.8%, 1.6% of which related to long-term sickness. The North East average level of sickness in 2011 was 2.5%.
- We did not meet our target of providing two days of training input for each member of staff, but believe this reflects under-recording of actual time allocated to such activity.

Staff survey

In April 2012 we carried out our annual staff survey. This showed a slight decline in staff satisfaction, which we believe reflects the pressures arising from Traidcraft plc’s poor trading and profitability performance, and its consequent impact through a freeze on pay increases and recruitment. Nevertheless, the overall scores remained strong and the overall satisfaction score of 7.2/10 was ahead of our target level of 7.0.

Health and safety

Promoting high standards of health and safety is also an important dimension of our care for staff and visitors. During the last year we have overhauled our UK and overseas policies, and are pleased that the number of accidents recorded has continued to fall year on year. All accidents were minor in nature.

	2007/8	2008/9	2009/10	2010/11	2011/12
Number of accidents in UK	31	27	18	10	9

Overseas we experienced one significant accident, namely a car crash involving some of our staff in Bangladesh, although fortunately no staff were seriously injured.