



2009 AGM: STAKEHOLDER QUESTIONS AND ANSWERS

Questions received (and comments made explaining why a shareholder voted against a resolution) have been classified under the following headings:

- Mission-related
- Commercial/product related
- Environment-related
- Directors' remuneration
- Board membership
- AGM processes
- Other

Within each section we show first the questions actually posed at our AGM on 12 September 2009, which are asterisked, and then set out questions submitted by individual stakeholders who could not be present. We publish all these questions, and respond to them publicly as well as individually, as part of our commitment to transparency and accountability.

MISSION RELATED QUESTIONS

- *What are the reasons for the apparent change in emphasis to target promotion of Traidcraft to Christians in churches? Many Christians are not involved in a formal way with the church. Perhaps a more general approach differentiating Traidcraft's ethical, social, environmentally sensitive approach to the general public would be more suitable.
M Swaddle, Corbridge

*Traidcraft has always been rooted in the Christian community and proud and open about its Christian identity - and we know for example that 94% of existing Fair Traders are active churchgoers, even if they often sell in schools and the local community as well as in churches. In the new much more competitive environment of fair trade, we are finding however that many customers of our Fair Traders are ignorant of our Christian identity, and that this is a factor that is likely to reinforce their loyalty to buying Traidcraft products. We also take seriously our role in mobilising Christians in the fight for social justice, and this requires the production of relevant materials. We do of course also seek to reach out to other parts of the community as well, but our Christian identity is one of the key distinctives of what Traidcraft has to offer. **Paul Chandler (Chief Executive)***

- *We know that cocoa bean growers, for example, are fairly paid , but when we say items have been fairly traded is it the case that ALL workers linked to production and manufacture of those products are also fairly paid ? **Name not given**
- *When I sell t-shirts containing fair trade cotton I am often asked who the beneficiaries are, I know the weavers benefit, but who else does? Why don't all Traidcraft clothes have the Fairtrade label? **L Strong, Carlisle**

*In responding to these two questions, Joe noted that as well as being Traidcraft Sourcing Director, he also sits on the Standards Committee of FLO (the international Fairtrade Labelling Organisation) which set criteria products have to fulfil to carry the Fairtrade mark. The primary focus of the Fairtrade mark system was on agricultural commodity producers – the growers, whether smallholders or workers on estates and plantations. However, the rest of the supply chain was now also audited to ensure good ethical standards were in place, although this did not mean workers elsewhere in supply chains the same scale of benefits as for the primary target beneficiaries. However, in areas such as Fairtrade cotton t-shirts there was definitely consumer confusion. When Marks and Spencer t-shirts carry the Fairtrade mark, this means the cotton fibre was produced according to full Fairtrade standards, and the rest of the supply chain was ethical. However, a Traidcraft item of clothing would have other fair trade standards related to the weavers, designers, tailors and embroiderers in the process – parts of the process that accounted for a much greater proportion of the value. This was one reason why our t-shirts were more expensive than those in M&S – they have a much higher fair trade content, but the Fairtrade mark doesn't have a mechanism for recognising this: and this was a challenge as it could make our t-shirts seem uncompetitive. Not all our clothes use Fairtrade cotton because it is not always available locally to the clothing producers, and where quantities are relatively small it is not practical to setup a new supply chain to bring the cotton fibre to them. However, for our larger suppliers we could set up different arrangements – for example ensuring that CraftAid in Mauritius was provided with Fairtrade cotton from Agrocel in India – and as more Fairtrade cotton becomes available we are trying to work it into an increasing number of our supply chains. **Joe Osman (Sourcing Director)***

- Can we help our own farmers by offering them a fair wage so that they can continue in the job they love to do? I am thinking particularly of the dairy farmers and the price we pay for our milk. **J Cule, Coventry**

Traidcraft already tackles an immensely wide range of issues, and our focus is on farmers in the developing world, and we cannot spread ourselves too thinly by adopting too many other worthwhile causes. However, we entirely agree that there are parallel issues for small farmers in the UK, and some of work does relate directly to them. For example, our campaigning on supermarket practices and the recommendation that an Ombudsman be established to whom small suppliers can appeal is something which is welcomed by the National Farmers Union.

- What difference does Traidcraft make in the great scheme of things as opposed to supported individuals? **I McKinlay, Slaford**

We believe this is one of our strengths – our direct trade and development work does help individuals around the world, but our overall aim is to transform the way business works – helping the growth of fair trade in the UK and elsewhere and seeking to change trade rules and corporate practices. Our work in Social Accounting, on Company Law reform, on Economic Partnership Agreements, on company purchasing practice s and our modelling of what it means to be an ethical company are all part of our wider influencing mission.

COMMERCIAL/PRODUCT RELATED QUESTIONS

- *Paul has asked Fair Traders to redouble their sales effort – how much effort is Traidcraft putting into increasing sales in the mainstream markets? **John Turner, Hull**

We do indeed need to balance our sales efforts. Fair Traders are the lifeblood of Traidcraft and we recognise the need to ensure they continue to thrive, and we see good scope to expand our webstore/mail order sales too. However, to get volumes for our producers we also need to work in the mainstream, getting products into the major supermarkets and other high street channels, and working with commercial licensees. Last year we sold over 26 million Geobars – our most successful mainstream product - worth in excess of £5 million. But we also have licensing arrangement for cookies, FairBreak bars, fruit juice, rubber gloves, charcoal, and recycled paper products. In addition we are working on another ten live potential licensing projects – including our new confectionery range, and muesli. ON the crafts side, we are pleased that our handmade cards from Swajan in Bangladesh and SHAPII in the Philippines are entering their fourth consecutive year with M&S, and we have a new range of beautiful Xmas decorations from Zari that will be in Monsoon stores this autumn.
Larry Bush (Marketing Director)

- *Last night I stayed at the local Travelodge, at breakfast only one item was fairly traded. Is there anything Traidcraft can do to redress this? **Ruth Loutit, Sutton Coldfield**

We are working all the time to try to get Traidcraft products into hotels and other catering establishments, but where chains are concerned you need to persuade their national managers – not just the local outlet. We have had some success with Novotel for whom we produce a bespoke range of products they use in their conference catering ranges, and there are many people running B&Bs who source Traidcraft products – we would like many more however! **Larry Bush (Marketing Director)**

- *Is it possible to bring the producers of crafts etc to speak to buyers in the UK as they are often very charismatic? **J Young, Roxburgh**

We agree that nothing invigorates supporters like meeting our producers, and they can indeed (as Paul's speech had mentioned in relation to Apicoop) be very useful in presenting to commercial customers. Not all producers are comfortable in our culture or speak good English, however, and there is a danger of using the more charismatic and able producers so much that they are drawn away from their real and important work in their own countries – overseas trips are very time-consuming and tiring. We do bring producers over regularly,

however, for market awareness trips, but this year with tight finances it did not seem to appropriate to bring over a producer specifically for this AGM. **Chris Stephens (Chair)**

- *At a Co-operative meeting recently I was asked whether Traidcraft cakes contained free range eggs – is this the case and, if not, are there any plans to introduce them? **Lorna Strong, Carlisle**

Free range eggs was not a specified requirement when our fruit cake recipes were first developed, but we recognise this is an issue many of our supporters are concerned about, and we are about to revise the recipe for our 2010 Christmas cake with a view to including free range eggs in the ingredients. The Traidcraft anniversary cake at the AGM was made entirely with free range, organic and fair trade ingredients! **Larry Bush (Marketing Director)**

- Would Traidcraft not consider asking churches to use FT wine for communion purposes? Such wine would probably have greater appeal if it was of a suitable and specific type, and if it was boxed rather than bottled. **J Quinn, Glasgow**

We did explore carefully the opportunities to offer fortified wine for communion, but our assessment was that the volumes we would need to sell to make it economic were unlikely to be attained – although we are aware of others who have recently started to make such an offer. Normal Traidcraft wine has been used by the Greenbelt festival at their communion service, and can of course always be used by churches who wish to.

- Why is Cafédirect so much more expensive for Fair Traders/catalogue customers than in supermarkets? It is becoming almost impossible to sell it at catalogue price. Also can you explain why a 500g tub of Cafédirect costs more than 5x100g jars of the same? **L Barr, Warwickshire**

We are dependent on the prices at which Cafédirect are prepared to sell their products to us, and despite a lot of pressure we are not always able to get them to agree to prices that are full competitive with what supermarkets offer. Our prices are always likely to be slightly higher than supermarket shelf prices, because we are individually packing and distributing parcels around the country. The cost of the tubs is normally cheaper than jars, but for a period we were selling through old stocks of jars (at an earlier price) whereas Cafédirect has raised the price of tubs – which are a faster-moving item for us. Recognising the disparity in prices we can offer has been a major reason for developing Traidcraft's own instant coffee ranges – and the freeze dried instant coffee from India adds even more value in the South than Cafédirect products as well as being markedly less expensive! However, we continue to stock and sell Cafédirect products to be supportive to that organisation, and to respond to consistent demands from our Fair Traders.

ENVIRONMENT-RELATED QUESTIONS

- *When will Traidcraft put comprehensive recycle information on their packaging? **P Smith, York**

There are number of forms of packaging that Traidcraft use:

Food and beverage packaging, craft packaging and then the parcel boxes themselves. As we refresh food and beverage packaging we do try and enhance and strengthen both the recycling information and also the recyclability of the packaging. As modifications to printing plates on existing older packaging designs are costly to modify we are not updating older packaging. However our newer products do carry improved messaging e.g. confectionery range, Geobar boxes.

Craft packaging is nearly always the packaging that producers have used to pack their products. We very rarely re-package craft products when they arrive here in the UK. It is often the case that producers have used what they have to hand - so this is why craft products can contain shredded old newspaper, corrugated cardboard stuffing as part of their packing. We do not ask craft producers to ensure that they label this packaging with recycling information - we do ask them to label packaging with any appropriate safety information.

The outer parcel packaging that we use - predominantly cardboard boxes and paper (as stuffing) we do not label. For information the stuffing paper is purchased locally and is the end of print reels that are a waste product from the newspaper industry (and are themselves recycled paper). We buy these from a local waste company who in turn buy off us our material for recycling. The outer cardboard boxes do carry recycling information.

Mags Vaughan (plc Business Director)

- What proportion of Traidcraft imports to Britain are moved by - Sea. Rail. Lorry. Air. What measures are being taken to reduce air transport? **A Richardson, Bristol**

Each year we monitor and report on the amount of our imports that are moved by sea and air. We aim to minimise the use of air-freight and in 2008/2009 we set ourselves the target of importing less than 1.75% by mass of our goods by air. We just missed this target as we imported 2.6% (by mass) by air. In total we imported directly 967 tonnes of product of which 25 tonnes was craft by air. There was no food imported by air. The reasons that we used air freight are as follows:

- *Challenges with the road system between Nepal and India meant that we air freighted products from our Nepalese producer – Get Paper Industries. Looking forward road improvements should mean that we will land and seas freight good from Get Paper Industries.*
- *To fulfil orders for 2 major UK wholesale customers. These orders were dominated by handmade paper cards and the delivery schedules for the orders meant that significant parts of the orders needed to be air-freighted to arrive in time.*
- *To fulfil a small number of “top-up” orders i.e. stock that is ordered with a tight lead time to ensure improved stock availability on popular selling lines. The level of “top-up” orders in late spring 2008 and autumn 2008 for craft lines was significantly higher than previous years.*

Once goods arrive at the UK port they are transferred via lorry container to Traidcraft's warehouse in the Team Valley, Gateshead. The development of the new rail container link

between the major ports on the East coast and Tees-port has meant that where possible containers are being shipped by rail from their arrival port in UK and then been transferred to lorry for the final 35 miles of their journey to Traidcraft. We continue to challenge ourselves (and our wholesale customers) about the need to use air freight and work to factor in the use of sea freight when dealing with lead times of wholesale customers. Further details about our usage of sea and air freight in 2008/2009 are contained within our social accounts.

- The only source of genuinely sustainable economic development is the free energy from the sun. All the rest is transfer payments, either across time (raiding past savings as with oil, or stealing from future generations, again, as with oil) or across geography*. How far does Traidcraft recognise this and how far does it merely say that we must operate in the world as it is, and not as it will be in 500 years time (or less!)? * (There is an argument that in terms of human time frames waste reduction does contribute). **S Clackson, London**

At Traidcraft we wrestle with the dilemma of ensuring that we are having a positive impact on people's lives in today's world whilst being mindful that our actions now will have an impact on our planet's future. As individuals and as an organisation we continue on a journey of understanding about what are the building blocks of sustainable economic development. The reality is that we do operate in the world as it is, and if we are to deliver our mission in today's world and have an impact of people's lives today that is what we must do - but that doesn't mean we have to sit by and accept the world as it is. At a local level in our Gateshead warehouses in the last year we have actively explored the feasibility of installing solar based equipment to heat and light one of our buildings. Sadly in the current economic climate we were not able to proceed with that project due to the high cost of the capital investment. This was disappointing. Traidcraft is soon to embark on a major strategic review - one of the key areas of that review will be how does Traidcraft in the future embrace the undoubted challenges that our planet faces as we strip resources from it. So the question posed is well timed.

DIRECTORS' REMUNERATION

- Why are salaries NOT being cut by 50%? **M Bridgland, Kent**
- I think the pay scales are too low – its maybe sustainable in the short but not the long term **A Capewell, Prescott**
- I am surprised at the high salaries paid by the Charity to 5 directors. Are 5 directors a necessity and can't they be charitable themselves and take a lower hand out? As a shareholder I feel my investment is not doing much good for the people I wanted to help when so much income is being squandered. **M Jackson, address not given**
- On remuneration I agree with your approach in limiting the maximum salaries paid, but believe that 6 times the lowest salary is too much; 4 or 5 times would be better. People who have an ethical commitment and enthusiasm for their work ought not to need massive financial incentives. Your top salaries are more than the over-aid MPs! **A Pacey, Ilkley**
- Too high an income for work involved with a charity **Elizabeth Corner, Honiton**

- Are you paying too high fees, in view of this being a charity? **M Clarke, Wilmslow**
- Non-executive directors who have other well-paid employment and or generous pensions should not be taking money from Traidcraft **S Boulding, Shropshire**
- Although much lower than normal directors' remunerations I still feel that these are too high for a charity, especially in the current economic climate. **G Plant, Newcastle under Lyme**
- Insufficient information on resolution 2 (Remuneration report) to make a judgement. This is a charity and the amounts quoted in resolution 3 (non-executive remuneration) is too high. **J Grassam, Wilmslow.**
- It seems perverse that such an important item (Directors' remuneration) is buried from easy view by shareholders when it could so easily have been sent out with other docs. **S Bayley, Cheshire**
- I hope all consideration will be given when determining these fees (for non-executive directors) to compare with similar appointments and fees. **K Hamey, Lichfield**
- Would prefer rises in salaries to be linked to inflation and measured nationally. **H Thomas, Swindon**
- As a charity I think it disgusting that Directors are paid such large amounts – do you need 5 directors anyway? You should reduce expenditure and help people who need it. **M Jackson, Northants**
- I don't know re these salaries and fees if they are acceptable/reasonable. (Votes withheld) **J Fagan, Market Harborough**
- Yesterday I was listening to a programme on the radio where it was explained how poor an idea people have about income distribution in the UK. It was stated that only 10% of the working population earn slightly more than £60,000 per annum. What other people earn is not something I think about a lot. I have no objections to Paul Chandler receiving £66,000 a year provide this is not presented as something virtuous or ethical. (**Name not provided**)
- Finding it hard to raise £66,000. I am not certain that the Chairman (sic) is worth £20,000 odd more than the rest of the Executive Directors. **S Edwards, Exeter**
- Many individuals are not receiving any salary increases for 2009/10 – is it appropriate for Executive Directors to receive increases? **J Alderson, Norwich**
- I do feel that given the current recession and drop in income, executive directors might feel able to take a salary cut. **M Westbrook, Manchester**
- Given the current recession and drop in income, would executive directors consider actually taking a drop in income? This would lead the way in other industries/sectors. **M Westbrook, Manchester**
- It is laudable to see Directors taking responsible salaries/payments and leading staff in the company by example. **D Gurr, Hants**
- Could we have an explanation of non-executive directors fees? **S Howe, Manchester**
- This (Non-Execs fees) seems an excessive fee – would prefer significantly less. **L Tully, Halesowen**

Chris Stephens opened the AGM session by noting that this year we had received an unusually large number of questions on the subject of executive and non-executive remuneration. This was clearly very topical in the light of public concern about MPs' and

banking salaries, and although the proxy votes in favour of the remuneration report indicated that most stakeholders did not see this as such a big issue, the Board felt it appropriate to make a full statement, which would be published with the record of the AGM. This statement is set out below:

Before addressing the substantive issues in the questions set out above, it is worth making two formal points:

- Firstly, as is stated in the Remuneration Report, all staff at Traidcraft have accepted a pay freeze this year – the increases reflected in the accounts relate to the pay rise awarded with effect in the first part of 2008. Non-executive fees have not risen in either of the last two years.
- Secondly, most of those querying the level of salaries refer to Traidcraft as a charity – whereas it is of course a more complex organisation than that, being partly a charity and partly a trading company - and a plc and answerable, as today's meeting shows, to its shareholders.

Executive Remuneration

- Salaries are decided by a Remuneration Committee consisting entirely of non-executives chaired by Alice Ward.
- The Remuneration Committee carries out a careful benchmarking exercise.
- We are mindful of wanting to recruit and retain the right calibre of executives to run our complex organisation.
- Despite the fact that a large part of Traidcraft's work is commercial in nature, we look principally at charity sector salary levels; because we – and the executive team – recognize that this is most appropriate for a values-based organisation like Traidcraft.
- Our principal source of data is an extensive annual survey undertaken by ACEVO – the Association of Chief Executives of Voluntary Organisations – which has a sample size of about 650 roles.
- We compare ourselves on the basis of revenue, business complexity, geographic spread and number of staff.
- We also take account of salaries paid by other organisations operating in a similar space to ourselves e.g. Oxfam Trading, Café Direct, Divine Chocolate etc.
- Salaries are set so that the maximum paid for the chief executive should not be greater than the average paid to chief executives of charities of a similar size and nature.
- The level of other executive salaries is then set in relation to that figure.
- The result of all careful research is that we pay a little bit less than the average for a chief executive of a similar sized charity and this despite the fact that most of our executives also have commercial responsibilities.
- It is worth noting that every executive we have recruited in recent years from outside the organisation was previously earning more in their previous capacity.

Non-Executive remuneration:

- The plc sets out to be a model company including the way in which the Board is managed and performs.

- While we could recruit non-executives to work on a pro bono basis, this would limit the candidates that we could choose to those who are either elderly and pensioned or financially independent in their own right.
- We are well served by our non-executives who bring a variety of skills and experience from the world of development, finance, academia and the Church. We do not believe that we could attract this calibre of non-executive without paying a modest fee.
- The fees are set on a three yearly basis pro rata to the fees paid for executives. No account is taken in calculating fees for time spent on the charity. Many of the non Execs spend far more time on Traidcraft business and support than would be the normal expectation of a Non Exec.

Chris concluded his comments to the AGM by stating: “For all these reasons I believe that the pay of both Executives and Non Executives is currently reasonable. I am personally amazed at the calibre of staff that we are able to attract for the salaries that we pay. Every time we look outside for a new senior executive, I am worried about whether we will again be able attract the calibre that we need. So far we have been remarkably successful. Whether we like it or not, there is a market for talent and we have to compete with others for it. I hope you will accept this brief explanation of a complex subject”.

In addition it may be noted that contrary to some of the comments in the questions, details of the Remuneration report and Executive salaries/benefits were provided to all shareholders on the reverse of the AGM notice, as well as being within the published accounts – so we believe we are trying to be as open as possible about these issues.

BOARD MEMBERSHIP

- Going by the mini-biographies you really have an impressive line up on the Board. In a way you should be glad that Traidcraft’s ideas are now catching on in the high street.
I Auerbach, Stevenage
- I would like to see more women appearing in the directors’ elections in future.
C Boldyreff, Lincoln
- What does a non-executive director do? ***H Thomas, Swindon***
- I don’t take part in rubber-stamping exercises (voting for re-election of directors)
R Hendley, Barrow in Furness
- Voted against Margaret Sentamu – Limited commercial experience. ***E. Trew, Devon***

Non-executive directors have a very important role in the governance of Traidcraft, and constitute a majority of voting members of the plc and TX Boards. As members of the Board they are the ultimate source of authority within Traidcraft, setting strategies and policies, deciding on what authority to delegate to staff, approving all significant decisions and monitoring progress towards objectives. Each year we have six Board meetings in addition to the AGM, one of which is a two day event. Each Board meeting involves substantial preparation for an extensive agenda. All non-executives also play a role on one or more sub-committees of the Board, and will be called on for advice in between Board meetings.

We seek to recruit non-executives with a range of backgrounds and skills that will contribute to the diversity of Traidcraft's activities. Whilst noting the comment on the desirability of having more female Board members, three out of seven non-executives are female – and we will always seek to recruit primarily on the basis of skills and contribution.

Non-executives are recruited on the recommendations of the Nominations Committee, which seeks skills according to a brief provided by the Board. If any shareholder wishes to recommend a person as a candidate for a future vacancy the Committee would be pleased to receive suggestions which will be considered alongside others – please feel free to write to the Chairman of the Board at Traidcraft's main Gateshead address.

AGM PROCESSES

- Why are AGMs always held so far from civilisation? **M Bridgland, Kent**
- I should very much like to attend a Traidcraft AGM and as we have friends in the North East, staying over would not be a problem. I wanted to come last year but couldn't and this year my husband and I are holding a collection for Amnesty International in the local supermarket all day on September 12th/ I have been a shareholder in Traidcraft for many years, holding B shares initially. I'd be really grateful to have more notice of the date of next year's AGM. Stakeholder day so that I can try to keep the weekend free. Is it always the 2nd weekend in September? **J Hardy, Leominster**

Our AGMs alternate between London and the North of England, to make sure that supporters from all over the UK are able attend. Not all our supporters find the South East cheap or convenient to come to! AGMs are usually held on the third weekend in September, but this year's was pulled forward because the timing of the Great North Run was changed and would have clashed with our normal date – creating major travel challenges and competing priorities for staff and some supporters. We do try to notify people of the date well in advance, but will review whether there are ways in which we could make this more obvious in future. In the past we have usually held AGMs on the third weekend in September, but we are currently considering whether to move it regularly to the second weekend (as we did this year, to avoid a clash with the Great North Run, and found it led to a better attendance than usual).

- I have resolved more strongly since the financial crisis in the banks etc not to vote for anything on which I feel inadequately informed. The supplied paperwork does not mention the results of any social audit **J Plackett, Lancashire**
- I do not use a computer do without some more detailed information I do not feel I can vote on the social accounts. But you seem to be doing a pretty good job. As they are such bulky things, I do not think you should circulate them. **S Cotton, Beeston**
- I have withheld my vote where I do not feel adequately informed to make a judgement. I do not like reading on screen. **J MacDonald, Coventry**

The audit of our social accounts is part of the published accounts on our website, and key indicators from the accounts are included in the Annual Review sent out to all shareholders and Fair Trader, and they are also summarised in the Annual Accounts of both Traidcraft

Exchange and Traidcraft plc. We do not send out paper-based versions of the full social accounts because they are so lengthy, and we have had increasing requests from shareholders to reduce the amount of paper we send out to them on environmental and cost grounds, as the second question indicates. We appreciate that some shareholders do not like using computers/screens and are happy to supply hard copies of information on request.

OTHER COMMENTS

- **Is Traidcraft going to make any representation to the BBC for the pressure placed on George Alagiah to stand down as Patron of the Fairtrade Foundation (a position he held for 7 years)?* **J Petheridge, London**

Melissa Duncan responded, noting that she was a Board member of the Fairtrade Foundation, filling one of the places appointed by the Founders of the Foundation (which included Traidcraft). She explained that the BBC had decided that George's role as a reporter/presenter, including his fronting a series of programmes on the food industry, created a conflict of interest with his role as Patron of FTF, challenging the BBC's perceived impartiality. Many felt this was an unnecessary position to adopt, and filed to recognise that the Fairtrade Foundation was a development organisation, not a commercial interest, and that many BBC figures had charitable patronage positions. Traidcraft had co-ordinated the writing of a letter to the Times from Traidcraft, CAFOD, Christian Aid and Oxfam urging the BBC to reconsider, and this was published and received quite a lot of media attention. However, to date they have shown no sign of changing their mind on this decision. **Melissa Duncan (Head of Communications)**

- *May I congratulate Traidcraft on its 30th anniversary and the wonderful difference it has made to so many struggling people worldwide.* **J Cule, Coventry**

Thank you for your encouragement!