

STAKEHOLDER QUESTIONS

This document sets out answers to questions which were either posed directly at our 2006 Stakeholder meeting or were sent to us in advance of that meeting.

1. FAIR TRADE ISSUES

How can we expedite a fair trade mark for crafts – without one we will find increasing false claims about purportedly fair trade products?

Developing a mark for crafts is much more complex than for commodity products, since each item is unique and it is therefore hard to define what constitutes a fair price in a realistically cost-effective manner. Some work is being undertaken on ways around this by IFAT and FLO (and Traidcraft is active in encouraging this to move forward), but progress seems very slow and we do not expect a mark to emerge in the short term. A mark is now appearing on some fairtrade cotton products, but the mark relates to the cotton fibre, and not to the rest of the value chain for those products. In the meantime the only reliable approach is to trust the brands of organisations such as Traidcraft which do undertake substantial monitoring work.

What percentage of each Traidcraft Exchange product is fair traded? I've noticed only a small percentage of Co-op food is in fact.

Traidcraft Exchange is our charity and does not produce products at all – they are handled by our trading company Traidcraft plc! The proportion of products that are fairly traded varies from product to product, so it is impossible to give a simple answer to this question: although the precise proportion in terms of ingredients will of course be shown on the packaging. It is important to remember too, however, that the value of the fair trade ingredients in a product can be a greater proportion of the sale price than the volume that they represent. If you take a typical Traidcraft product, on average about 21% of the price at which we sell the product goes to our producers - the rest covering shipping, insurance, manufacture, packaging, distribution and other costs of getting a product to market. This is substantially higher than a comparable non-fair trade product. For example, the percentage of selling price that goes back to developing world producers on a typical jar of non-fair trade coffee is about 5-7%; on a jar of Cafédirect it is around 17.5% and on Traidcraft instant coffee (because it is processed and packed in the developing world as well as grown there) the proportion rises to 41%.

About “Value Added”: what statistics does Traidcraft prepare to show the % of the total and value which goes back to the 3rd world (- for individual product groups - because it will vary a lot I imagine.)

Our Social Accounts indicate that on average 21% of the sale price of Traidcraft products is value added in the developing world. In the case of products such as our Medium Roast coffee, which is roasted and packed in India, the figure rises to 40%. It is not possible, however, to give precise figures on every product, since frequent fluctuations in costs and exchange rates change the equation on a regular basis.

What development criteria determines the continuation of Traidcraft involvement in a country? I have in mind India; a democratic government, a burgeoning economy, a nuclear power, considerable military expenditure and a space

programme - as against the desperate situation in Africa. Yet I see 'The India programme is our largest ...' (Magazine back page).

We assess our involvement based on the level of need in a country and the likelihood of a Traidcraft-style of intervention proving effective. The headlines for India do indeed seem encouraging at an overall level, yet there are more people living on under a \$1 day in that country than anywhere else in the world (including the whole of sub-Saharan Africa), accounting for 36% of the world's total poor. There are huge regional variations within India, and we focus on working in those states that have greater concentrations of poverty. We agree however that we also need to prioritise Africa, whose overall prospects do look worse than that in Asia, and this is incorporated in our plans. You can see in our social accounts that we have been able to step up the proportion of Traidcraft plc's purchases made from that Continent.

What could Traidcraft do to become more accountable to its small scale producers, the environment, and adhere more closely to the ethics of 'Small is Beautiful' by E.F. Schumacher in this world of increased globalization?

We already make ourselves highly accountable through our social accounting processes, producer surveys and assessments by other members of IFAT the international fair trade association. We enter into specific agreements with each supplier as to what we propose to do with them and monitor with them how far we meet those expectations. We have adopted more stringent environmental policies in the past year and are monitoring progress in meeting new targets through social accounts processes. Whilst we emphasise work with small scale producers, we do not entirely endorse the Schumacher thesis, however, in that we are prepared to work with large organisations as well as small where we believe this will maximise impact on poverty.

2. SUPPORTER ISSUES

How can we broaden the diversity of Traidcraft's supporter base, both in terms of ethnicity and age profile?

The profile of people who turn up to stakeholder meetings should not be taken as a typical cross-section of our supporter base! Younger people are less keen to participate in such events, but may be no less willing to be active in their work alongside us. Our supporter base is continually renewing itself, and we are finding many more young supporters joining us especially in relation to our campaigning activity. Some major new initiatives aimed at 16 – 24 year olds are also under development. We have made efforts in the past to generate more interest in Traidcraft in black church groups, but have sadly found only a limited response, which perhaps reflects issues around the affordability of fair trade products to many of those in such communities – but we would love to do more.

Can we have longer get-togethers for Traidcraft supporters, as we used to have

We agree that these would be very worthwhile from time to time, and plans are already afoot to make the 2007 AGM part of a weekend event in Durham.

Lately I seem to be receiving a separate invoice for each separate parcel of the same delivery. This seems to be unnecessarily wasteful and inefficient. What is the reason?

Invoices are printed overnight, based upon parcels that have been packed on the previous day. On occasions, for bigger orders with multiple parcels that are packed near the end of the day, some parcels will have been completed, and others finished off the next morning. This will lead to two invoices being produced. For most customers this should be no more than a very rare occurrence, and at the moment our systems don't offer a simple or cost-effective solution.

So many things are email or website (including orders for New Consumer sold at Traidcraft outlets). Will we who do not have these be rejected?

We welcome customers however they prefer to buy our products, and have no intention of moving to web-only based sales. However, the Internet does allow us to offer some additional products and offers to customers that we cannot afford to put into our catalogues or paper-based mailings, for example because the quantities or margins available would be too small. For clarification, Traidcraft does not sell orders for the New Consumer, nor do we have our own "outlets", so those particular offers are either being promoted by Fair Traders on their own initiative or by fair trade shops which may buy many Traidcraft products but also source from other suppliers.

3. ADVOCACY ISSUES

How has Fair Trade been affected by the collapse of the recent Trade Talks?

The collapse of the WTO talks does not directly affect Fair Trade transactions, but is disappointing in the context of the wider trade justice agenda. We desperately need to see agricultural subsidies and tariff barriers reduced in rich countries, if developing country economies are to be able to strengthen. The collapse of the WTO talks puts renewed focus on the EU's Economic Partnership Agreements – bilateral trade negotiations – which have been the key focus of Traidcraft campaigning over the past two years, and we continue to be one of the leading policy think-tanks pressing for these to be carried forward in ways that will promote the interests of the weaker partners.

As a newly registered speaker I am concerned as to how to respond to the following article. Traidcraft's stance would be most helpful:

"Fair trade isn't really fair at all" Alex Singleton

The Business - reprinted in "The Week" April 2006

It's Fairtrade fortnight - that time when the middle classes fill their shopping trolleys with every "fair trade" product from coffee to cosmetics in an effort to relieve their feelings of guilt, says Alex Singleton. Yet "fair trade's" real influence is far from benign. "A combination of economic illiteracy and do-gooder foolishness has created a monster that threatens the prosperity of the poorest producers." Fair trade schemes work by setting minimum prices at which packagers and importers buy goods from producers. Nothing wrong with that in theory; in practice, however, it encourages affluent producers to stay in the market, "kicking the ladder away from the poorest" who are unable to make a niche for themselves by undercutting. This is apparent in Mexico, a relatively affluent developing country which now produces a quarter of all fair trade coffee - a disaster for the poorest producers such as Ethiopia. Gladstone had it about right when he remarked that "fair trade bears a suspicious likeness to our old friend protection."

This is a not untypical comment from liberal free market economists. The Adam Smith Institute made very similar claims in an attack on fair trade coffee in 2004. In pure economic theory it is indeed right that if there is over-supply in a market that depresses prices you want to see a switching of productive resources into other sectors

to restore market balance. Unfortunately what this theory does not consider is how far there is a realistic option to switch production for poor producers or of the human consequences of the untrammelled free market. In reality it is not affluent producers that “withdraw”, but it is the poorest who are unable to respond to changing markets and suffer most. Fair trade producers in any part of the world are far from “affluent”, they are drawn from the poorer communities in their region, and withdrawal from their market often implies total loss of livelihood. What fair trade as practised by Traidcraft can do is provide the means for a more ordered transition over time, as producers are encouraged to diversify their products and develop local as well as international markets and are provided with the resources to do so. People may also be interested to look at recent research by Mark Hayes of Northumbria University, which answers in their own terms many of the traditional criticisms levelled at fair trade by advocates of traditional economic theory (see attached file).

In view of the breakdown in WTO talks on fair-trade, what attitude should we adopt towards EPA's? Might they be “better than nothing”?

We were all disappointed at the recent collapse of the WTO talks. Traidcraft still believes that international trade rules - if they are applied fairly and openly - are an essential means of enabling the poorest people to benefit from globalisation. The WTO needs significant reform, but as it is based on the principle of 'one member one vote' could offer some protection to poor countries from the kind of arm-twisting and bullying which has characterised the EU's negotiation of EPAs with its former colonies. EPAs continue to pose real dangers for these countries. There are increasing calls for a more favourable alternative agreement, so EPAs need not be the only option on the table. We will continue to press the EU to make EPAs fair, but this is a long struggle and we will need the help of Traidcraft supporters in holding our government to account.

4. MARKETING/PRODUCT RELATED ISSUES

As a Fair Trader, I find it difficult to sell goods at catalogue prices when supermarkets seem able to charge far less; a) why is this? b) Should we not show a unified front by selling goods at the same price everywhere?

When we supply supermarkets we do so in bulk and with much lower distribution costs than selling through other channels, and this means they can seek lower margins than we can afford to give for smaller orders from Fair Traders, small shops or individual customers. The prices which supermarkets charge are not under our control, of course, and they also benefit from large economies of scale in many parts of their supply chains which we do not enjoy. Sometimes they can use this to offer goods more cheaply than we can. We have to charge the prices that we need to run a sustainable business: we are effectively in the same position as a corner shop competing with a supermarket, whose prices will also tend to be higher.

On our own Traidcraft-sourced products the differences are containable. So there is rarely a great discrepancy in prices. However, the situation can be more marked in relation to other organisations' products that we sell such as jars of Cafédirect coffee, where we are buying in product from Cafédirect in the same way that supermarkets are doing (but probably with a less good discount), but where we have greater costs of

storage, packing and distribution to cover in order to send orders out to our customers. We are currently in discussions with Cafédirect about how this can be addressed.

Low prices for supermarket own label fair trade products are beginning to pose a threat to dedicated fair trade organisations, and as we look to the future we need our supporters to recognise increasingly the added fair trade value of a Traidcraft branded product (e.g. enhanced producer support, efforts to work with poorer groups, ploughing back any profits into growing and advocating fair trade, commitment to longer-term relationships), encouraging them to opt for products from committed organisations like ourselves (wherever they may be found) rather than simply backing new commercial entrants – whose role should be to find new customers to extend the fair trade consumer base.

Please stock seeds from around the world. Especially as we are getting hotter here, more things are able to grow and they are very light for posting.

We have indeed started to sell seeds from South Africa in a joint venture with Fairplay seeds, with the first outcome of this appearing in our Spring 2006 catalogue. We hope to repeat the offer in 2007 and to extend the range of seeds available.

How can you justify “Fair trade” flowers when they add to climate change and use much needed resources in poor countries to supply our wants (not needs).

Traidcraft does not sell Fairtrade flowers and, sharing your concerns, opposed the moves by the Fairtrade Foundation to develop a standard for that product: but ultimately we do not control their decisions on such matters. We will not be bringing fairtrade cut flowers into our range. Nevertheless, in an industry where standards have historically been poor, fairtrade certification will be working to improve the conditions on participating plantations. Traidcraft does sell some fairly traded seeds, which we believe is quite a different matter.

Can we please have some new Traidcraft food products and/or refreshing existing ones (e.g. the boxes of chocolates).

We are conscious that this season has not seen many new food products launched, but there are several new ones in the pipeline!

Can we not get nutritionists to challenge schools’ views that chocolate is unhealthy?

The government has issued healthy eating guidelines that ban chocolate and other products from schools, and we do not expect that this will be reversed. We are however developing ranges of healthy snacks aimed at children that would be suitable for promoting fair trade in schools. Whether or not chocolate can be deemed “healthy” is perhaps a moot point, and we are often criticised for offering too large a range of sugar-based products. However, we should also remember that we are not encouraging people to eat more chocolate, but to buy fair trade chocolate and confectionery in substitution for the sugar-based products they would be choosing to consume anyway.

Is there any possibility of bulk fair trade sugar supplies now that you have established Traidcraft Caterer accounts?

We do sell fair trade sugar in bulk to UK manufacturers and wholesalers. The quantities involved to receive a bigger discount are quite large, since such sales are

made by the pallet load, but if you have a need on that scale please contact our sales department.

What is the future/potential for Fairtrade music, e.g., via supply chain of recording, publishing, touring, management, etc?

The concept of fair trade music is at the very earliest stages, and is a long way from moving towards any form of formal “Fairtrade” certification. At the moment such “fair trade music” as there is, is essentially music produced in support of fair trade, some of which is based on original songs or music from developing countries with a level of payment to the original communities from which that inspiration was drawn.

Why aren't VARIETY packs available for Cookies (12 pack) and GEOBARS (6 pack) in view of their bulkiness. VARIETY packs are available for MUESLI, COFFEE (ground) and SUGAR etc. I have been advised that the production line is a problem - I regard this as a lame reason in view of the variety packs that are available!!

Traidcraft's range of variety packs is currently under review. As a general rule, variety packs are generally difficult to produce due to the automated nature of food packaging lines. For example Chocolate, Brazil, and Ginger Cookies might all be manufactured on separate days. In order to produce a variety pack, these three products would have to be stored in a production area, the boxes opened and the variety packs assembled by hand. This is not feasible due to production constraints at our current manufacturer. Hand packing could be done at Traidcraft's premises but would make variety packs considerably more expensive to do. Currently variety packs are priced with the additional packaging costs only being charged at cost, i.e.. Traidcraft makes no profit from this additional packing step! These variety products are now being costed more realistically and the sales volumes assessed. Sales of variety packs always sell less than the quantity of any individual component as sold in a pure pack. As such, variety packs are poor performers in terms of sales per unit space. Traidcraft's space is limited, so in future variety packs may be axed in favour of new products which will outsell them, benefiting both Traidcraft and the producers in the Developing world.

How is it that Oxfam shops sell Traidcraft products at higher prices than Traidcraft's while Cafédirect is cheaper, like the supermarkets? E.g. small packets of Passion fruit juice are 49p!

Oxfam determines its own pricing policy, and they source Cafedirect products directly from Cafedirect rather than from us. We suspect this indicates that they are getting a very good level of discount from Cafedirect, and that their costs of then supplying it to the end-consumer will be lower than ours since we have to pack and send products out in parcels to our customers, which adds to the costs.

5. ENVIRONMENTAL ISSUES

With growing attention being paid to climate change, what is Traidcraft doing to tackle environmental threats to poor people?

Much information on this is contained in our Social Accounts. Fair Trade has long included environmental standards concerning producers, but there is no doubt that there is more we can do to reduce our own carbon footprint. Over the past year we have switched to green electricity energy supplies, started to make off-set payments in

respect of air miles (for products and people), and we have overhauled our environmental policies and set ourselves some demanding new objectives in this sphere.

What is your policy on Shipping Services v Airfreight? Do you try to minimise the use of air for imports?

We do indeed seek to minimise air freight, and monitor closely the volumes that are shipped in each fashion, reporting this in our social accounts.

Contained within the 05/06 social accounts is data concerning the amount of food that Traidcraft air freighted during the year. This amounted to 46 tonnes (compared to 872 tonnes of food by sea freight) in the first 9 months of the year. This air freight was linked to 2 situations, one involving ginger and the other sugar. In both cases due to higher than planned sales of the products these lines would not have been available for customers for some months. In both cases a review of the impact of lost sales and that of air freighting was taken. Enough stock was air freighted to reduce the period that stock would be unavailable and just tide stock availability over till the sea-freighted stock arrived. It our intention to move to compensating for air and sea freight in 06/07. More details of this can be found in the social accounts. So far in 06/07 no food has been air freighted to Traidcraft in UK.

In terms of non-food products that were air-freighted, this amounted to 47 tonnes compared to 150 tonnes sea freighted for first 9 months of year. These tonnages include craft lines sold directly by Traidcraft to customers through Traidcraft's catalogue but also wholesale craft orders (that is orders where Traidcraft is sourcing wholesale on behalf of another trading company e.g. Oxfam). It is the wholesale crafts that account for the majority of the air freighted crafts. Traidcraft has less control over the overall timetable of the wholesale craft business and therefore to meet wholesale buyers' deadlines for delivery to UK, air freight has to be used. Traidcraft does try to engage with wholesale buyers to influence their timetables so airfreight is not required. There are a few instances where Traidcraft will airfreight its own craft lines (e.g. hand made paper from Nepal, as this is the most practical and reasonable logistical route).

Four questions were received relating to the value, costs and environmental impact of Stakeholder mailings.

There is a balance to be struck between making sure donors and supporters receive the information they need and using up unnecessary resources in doing so. We are increasingly encouraging people to sign up for web-based versions of our publications, to reduce postage and production costs, and expect this to increase steadily as a proportion of our outputs. This year for example, for the first time, we gave shareholders the opportunity to view the Annual Report and Accounts online, rather than receive the printed document. Nevertheless, we do find that the recruitment of new supporters and rising of sales and donations does more than justify the outlay. The paper we use on most of our publications is environmentally friendly, and we are looking in particular at how we can improve the environmental impact of our catalogue mailings too.

6. GOVERNANCE/SHAREHOLDER ISSUES

- *Please continue to retain Traidcraft's restriction that all directors are practising Christians.*
- *What is the outcome of your dialogue with stakeholders about all directors having to be practising Christians (I do not believe it embraces diversity to have this restriction)?*
- *Please remove the word "Christian" from your principles – as an atheist it makes me feel unwelcome.*

The provision for Traidcraft directors to be Christians is part of our governance rules, and we have no intention (or indeed power) to alter it. Our stakeholder survey showed 90% of our stakeholders are active Christians. 75% of all stakeholders felt this was a positive dimension of Traidcraft which encouraged their support; 22% were neutral about it and only 3% felt it would be better if Traidcraft were less Christian. Traidcraft has always declared itself to be a Christian response to poverty, and a great deal of our support continues to come from the Christian community and that remains the bedrock for our work. Whilst we work for and with people of all faiths and none, we do so on the basis of our working from a Christian perspective and have no intention of changing our nature in this respect. We acknowledge that some will find that off-putting, but many others find it a source of motivation and inspiration, and it is an integral part of our identity.

How do you go about appointing Non-Executive Directors? There seem to have been a lot appointed since the last AGM. Do you ever look for "ordinary" people? Not those who have spent their time in high-powered careers, but those of us who gave up jobs (in the city with high prospects or otherwise) to have our families and support our husbands, while finding other outlets by, for instance, selling Traidcraft products in Church, supporting the church in other ways and doing a whole host of other charitable works over the years (e.g. school governor, youth offender panellist, cub scout leader etc., etc.,) none of which ever seem to count compared to being a full-time professional.

Traidcraft has a Nominations Committee with a brief to ensure a breadth of experience and expertise amongst our Board members, covering both the charitable nature of Traidcraft Exchange and the commercial nature of Traidcraft plc.

Candidates are sought by a combination of advertisement (usually through our supporter newsletters) and direct approaches and suggestions made to us. As well as people with particular skills and expertise, we do look to ensure we have some representatives of typical Traidcraft supporters. For example, Philip Warren, a retired university lecturer, has been one of our Fair Traders for a number of years, and the Board values the insight that he frequently brings to discussions and decisions. We also aim to keep a good gender balance on our Board, and at present, for example, about one third of Traidcraft's Board members are women -although ultimately we need to achieve the right balance of skills as our first priority.

Does shareholding, with its administrative costs, bring sufficient benefit to fair trade producers?

Without the share capital which we have Traidcraft would be unable to trade with producers at all, so there is no doubt that shareholders make a hugely important contribution to our role. There are undoubtedly administrative costs involved in maintaining our shareholders and providing them with the information we are legally required to do, and that is why in our recent share issue we set a minimum shareholding level of £500 – at which level the costs of administration are cheaper

than alternative sources of finance. It is also worth noting that a very high proportion of any dividends we pay to shareholders has been mandated for donation to the work of Traidcraft Exchange, further benefiting our producers and others in the developing world.

Why do we have to go to Brewin Dolphin if we wish to buy Traidcraft shares? The first shares that I purchased I didn't pay extra, i.e., commission and stamp duty.

The law on companies assisting in the sale of their own shares is much tighter since the early days of Traidcraft and we are no longer permitted to handle sales and purchases ourselves, which is why we need to use the services of Brewin Dolphin.