



Traidcraft

PURCHASING POLICY

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1.0 Principles

Traidcraft's Foundation Principles are fundamental to its work and policies and are summarised as follows:

- 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 practice
- We strive to be transparent and accountable

Drawing upon these principles, Traidcraft's approach to fair trade seeks to exhibit the following characteristics:

- **A development model:** We work to build sustainable businesses in communities that are poor, helping them through the experience of trading and other direct inputs to develop to a point where they can thrive in mainstream markets without the need for support.
- **Fair terms of trade:** We pay prices that enable producers to earn a fair return for their efforts. We give producers access to credit and advance payments where needed to enable orders to be fulfilled, and we make available additional premiums for community development. We aspire to increase the proportion of added value that takes place in developing countries.
- **Valuing individuals and communities:** We buy from producer organisations that respect and promote the rights, dignity and welfare of their producers and wider communities.
- **A commitment to relationships:** We seek long term partnerships with our producer groups, giving them the confidence to invest and to grow. Our ultimate aim, however, is that our partners should become fully independent, allowing us to extend our work to new producer organisations.
- **Sustainability:** We work to help communities reduce their vulnerabilities by diversifying their skills and products, developing local and regional as well as international markets, and implementing good environmental practices.

This policy seeks to apply these principles in setting standards for our purchasing activities.

2.0 Purpose

This Purchasing Policy will be used to guide and direct the activities of Traidcraft staff, especially those responsible for product development, product selection and sales, purchasing and producer support.

The policy also explains and defines the key elements of Traidcraft's fair trade model and approach, capturing the more relational and developmental aspects of fair trade which help to differentiate Traidcraft from the certified Fairtrade approach.

3.0 Scope

This document sets out the policy for the purchasing of any goods or services, whether goods for resale (fair trade products and non fair trade products), products not for resale, or services.

For fair trade purchases the geographic scope is limited to the continents of Africa, Asia and Latin America. Fair trade purchases from countries outside of these continents may be made subject to those countries being classified as 'medium' or 'low' on the UN Human Development Index and subject to Board approval.

4.0 General Standards

These standards apply to purchases of all goods and services and as a minimum:

- 4.1 Traidcraft will aim to purchase from suppliers who demonstrate openness, integrity and transparency especially in the traceability of raw materials or services.
- 4.2 Traidcraft will aim to purchase from suppliers who are able to work with us in a relationship of mutual trust and respect, with a shared understanding and sympathy for Traidcraft's fair trade ethos, mission and objectives.
- 4.3 Products should be manufactured or services delivered in a manner which promotes sustainable production practices and ensures the protection of the natural environment. This should include not only the supplier's own organisation but also their suppliers of key raw materials (including packaging materials) or sub-contracted services.
- 4.4 Products and services should comply with internationally recognised standards and conventions, especially those of the International Labour Organisation (ILO).¹ This should include not only the supplier's own organisation but also their suppliers of key raw materials or sub-contracted services. It should also,

¹ Specifically:

ILO Convention 111 covering freedom from discrimination.

ILO Conventions 29, 105, 138 and 182 covering child and forced labour.

ILO Conventions 87, 98, and Recommendation 143 covering freedom of association and collective bargaining.

ILO Conventions 100, 111 and 110 covering conditions of employment.

ILO Convention 155 covering occupational health & safety.

wherever possible, include intermediaries in the supply chain with whom the trading relationship is indirect e.g. shippers, agents, brokers etc.

In addition, for suppliers of fair trade products, Traidcraft will apply the standards as outlined in 5.0 below.

5.0 Standards for Fair Trade Purchasing

In this category are purchases of products which carry or are promoted with a fair trade message. There are two sets of criteria:

- ‘Essential criteria’ - those which **all** Traidcraft’s purchases should meet.
- ‘Desirable criteria’ - those which, in themselves, do not define the purchase of a fair trade product but may be considered as desirable ‘add-ons’ to the essential criteria, depending on the nature of the product or its origin.

5.1 Essential Criteria

The following criteria will apply in defining a Traidcraft ‘fair trade’ product:

- Fair price and payment terms* are applied to the purchase.
- There is the intention of a relationship of partnership* and co-operation between buyer* and supplier* of the product that is expected to last for at least the medium term.
- Products are purchased only from suppliers* where there are clear and definable benefits* accruing to the producers* of the product which arise as a result of the purchase.
- The working conditions for producers* are safe and non-exploitative and there is respect and proactive concern for their rights, dignity and personal welfare.
- FLO (Fairtrade Labelling Organisation), IFAT and other internationally agreed standards will be followed where it is possible and appropriate for suppliers to adhere to those standards. However, Traidcraft may wish to engage with suppliers* who are unable even to reach these standards but through which fair price and payment terms* and partnership* may assist that supplier to progress to those standards.

(*see glossary of terms under 8.0 below)

5.2 Desirable Criteria

The following criteria will be applied where possible. They are aspirational and a desirable progression of the relationship that may occur as part of the continued partnership* with the supplier*. They are not in themselves sufficient to define a fair trade purchase although any one or more combined with the essential criteria should be regarded as positive:

(* see glossary of terms under 8.0 below)

5.2.1 Added Value

Traidcraft will aim to maximise the value added in country of production by processing or packaging at or near to the source. Wherever possible this will be organised and controlled by the supplier*. This will not be at the expense of fulfilling the essential criteria and achieving fair trade objectives. The maximisation of sales, and benefits* resulting from that, should not be compromised by reducing the viability of a product through lower quality or higher costs.

(* see glossary of terms under 8.0 below)

5.2.2 Target Groups/Regions

Traidcraft may wish to target specific types of producers* or regions e.g. disadvantaged or marginalised producers* in specific regions, women's groups etc. In particular this may direct choices over whether to favour one supplier* for a specific product or range over another. In addition Traidcraft will give preference to those geographical areas in which the wider Traidcraft network already operates.

(* see glossary of terms under 8.0 below)

5.3 Other Fair Trade Purchasing Considerations

In developing a product or selecting a supplier other considerations may be made as follows:

5.3.1 Staple Food Products

Traidcraft will not purchase products which compromise food security in a particular country or region or which compromise the staple needs of a developing country or region's population. Products in question are typically cereals, root vegetables, pulses etc. and are those which form basic carbohydrate and protein requirements. Based upon good evidence and solid evaluation Traidcraft will only purchase staple foods when there is a surplus of production and, when through exporting, the income derived has a greater potential for economic benefit for the producers* than local sales.

(* see glossary of terms under 8.0 below)

5.3.2 Environmental Sustainability

Following on from the general standard as outlined in 4.3 above Traidcraft will seek to work with, and purchase from, suppliers* who demonstrate a proactive approach to the protection of the natural environment through the development, implementation and monitoring of appropriate systems and practices, and which may cover the following areas (where applicable):

- Agricultural systems which embrace environmental protection through a balanced use of crop rotation, crop selection and careful use of inputs.
- Minimal and safe use of synthetic inputs such as fertilizers, pesticides, dyes, cleaning substances, detergents etc and a gradual transition to more natural alternatives (see also 7.3).
- Minimal use of energy from non renewable sources.
- Safe disposal of waste materials including reduction, reuse, recycling or composting as appropriate to the nature of that product and with due regard to issues of soil, water and air contamination.

(* see glossary of terms under 8.0 below)

5.3.3 Animal welfare

Traidcraft believes in the desirability of good welfare practices in the production of raw materials of animal origin (e.g. leather, bone, hair). In partnership with suppliers*, it will seek to use materials from sources that achieve good practice in animal welfare.

(* see glossary of terms under 8.0 below)

5.3.4 Composite Products

Traidcraft seeks to develop products which maximise the value of fair trade purchases from producers*. In some cases the volume market for a particular product or commodity is only accessible through creating a composite product which utilises some non fair trade ingredients or components. For example, this may be a processed food product, manufactured in the North, like chocolate which needs milk powder, or a manufactured and typically handcrafted product from the South using, for example, wood, jute or cotton as a raw material.

In the creation of composite products Traidcraft will, wherever possible:

- Maximise the value being returned to the producers* by developing products where the fair trade raw materials are significant components.
- Avoid confusing the consumer where the fair trade content is perceived to be too low or meaningless.
- Avoid misleading the consumer through the packaging or support materials.
- Source on fair trade terms all ingredients, components or raw materials that can be fairly traded.
- Meet all the other terms of the Purchasing Policy (5.0) for the fair trade ingredients

Non Food Products – Traidcraft will always seek to develop products with at least a 50% fair trade component by value for Southern manufacturing/handcrafts, which in most cases will be the added value labour. For example, and based on cost of production analysis, a craft product that uses non-fair trade raw materials should have its value doubled by the fair trade labour content to keep this principle.

Food Products – For Northern manufactured products it may be that for marketing reasons or for product specific reasons, non- fair trade ingredients need to be incorporated into the final retail product e.g. to maintain quality standards or as supplementary ingredients in a processed product. In developing products Traidcraft will maximise the percentage of ingredients purchased on a fair trade basis in a final product without compromising its viability through lower quality or non-competitive price, aiming for a minimum of 50% by dry weight. It will also aim to develop fair trade sources for non-fair trade ingredients where there is the opportunity to do so and where appropriate. Also, in implementing 4.1 (above), Traidcraft will work with its manufacturers in a transparent manner to identify and utilise appropriate or disadvantaged sources (in the Northern context) of non-fair trade ingredients (for example by discriminating in favour of the small farmer sector in UK/Europe).

(* see glossary of terms under 8.0 below)

5.4 Partnership Review Process

Traidcraft will periodically undertake a review of the trading relationship with each core supplier*. This review aims to build and strengthen the relationship, to review and assess the benefits* derived from the relationship, and identify areas where improvements or greater impact may be made. It will help to formulate work plans, and to prioritise resource allocation. The review will be carried out mainly through personal visits, although sharing resource and information with other organisations will also be key to avoiding duplication of effort. A Partnership Agreement will be formalised with each core supplier and will be mutually agreed and signed. It will include not only terms of trade duration and review, but commitment to good communication, and it will outline any additional commitments or producer support activities to be undertaken by Traidcraft specific to the individual supplier.

(* see glossary of terms under 8.0 below)

6.0 Standards for the Purchasing of Products which are not Fair Trade

The general standards outlined under 4.0 apply.

In selecting a product for resale which is not a fair trade product the following considerations will be made:

- The supplier conforms to the general standards as indicated under 4.0

- The product promotes Traidcraft's mission and objectives in campaigning, education, fundraising and brand promotion.
- The product raises additional revenues for support work and therefore contributes to additional fair trade purchases.
- The product assists the sale of fair trade products e.g. by assembly into a composite product such as gift foods.

NB: Traidcraft recognises that there will be some existing products and ranges which do not fully comply with these standards, and are a legacy from previous purchasing policies (e.g. recycled tissues). Where merely discontinuing such products or ranges will seriously affect the commercial well-being of Traidcraft and therefore constrain wider mission and objectives, resources will be allocated either to enable these products or ranges to comply with the above criteria, or where possible to convert them into fair trade products over a period of time.

7.0 Product Specific Policies

7.1 Genetically Modified Organisms (GMO)

Suppliers are expected to avoid the use of GMOs in both production and processing of products. Traidcraft will not knowingly use GMO's in any of its products.

7.2 Food Miles

The issue of food miles is growing particularly in regard to CO2 emissions and global warming. As well as sea, road and air transport, processes such as drying, freezing and chilling contribute to the problem. Whilst acknowledging that South/North trade in products and commodities inevitably contributes to the problem, Traidcraft's primary focus is on fulfilling its mission of fighting poverty through trade, and this implies the need for trading to continue. However, in the development of new products Traidcraft will measure and seek to minimise the food miles involved. For products developed using components which are also readily available in the North, account will be taken of seasonal issues, quality and market considerations as well as shipping methods and routes.

7.3 Organic Products

As outlined in 5.3.2 Traidcraft seeks to work with, and purchase from, producers and suppliers who demonstrate a proactive approach to the protection of the natural environment. This may include the gradual transition toward more organic practices. However, development to organic certification will be encouraged only when it is in the best interests of producers*, where it has the potential to increase and greater maximise their benefits*, and with due regard and consideration of market issues and cost of certification.

(* see glossary of terms under 8.0 below)

8.0 Glossary of Terms Used in Fair Trade Purchasing

8.1 Producer

Within each supply chain for a fair trade product there will be a defined group of target beneficiaries of fair trade who have become disadvantaged or are poor because they have not benefited from conventional trade. This is dependent on regional or product specific characteristics. For example, in agricultural products this is most likely to be (but not always) the primary producer, whether small farmer, plantation worker, casual/seasonal worker, or migrant labourer. In other products, for example traditional handicrafts or manufactured products, the defined target beneficiary is more likely to be (but not always) the secondary producer, whether individual or groups of artisans, community groups or factory workers.

In all circumstances care will be taken to explore the entire supply chain to ensure that, wherever possible, the general standards under 4.0 (above) are covered and that the standards for Composite Products under 5.3.4 (above) are also covered.

8.2 Benefits

Recognising the developmental nature of fair trade, the target beneficiary producers should, as a result of both the fair trade transaction and Traidcraft's Partnership Review approach, earn or receive something of substance which contributes to either (or combinations of):

- their material and economic welfare;
- the improvement of their social circumstances, communities or working conditions;
- their personal development through the provision of training and support either individually or collectively through the organisation to which they belong.

This is dependent on regional, cultural or product characteristics but should, for all fair trade transactions, be clearly identifiable.

8.3 Supplier

The organisation which contracts the purchase transaction with the buyer. This will, in some circumstances, be an organisation representing the target producer beneficiaries through whom benefits are channelled and measured. Typically this organisation will be one of the following: Intermediary Marketing Organisation (IMO); private business; community group; federation of small farmers; co-operative group; para-statal organisation; non-government organisation (NGO) or project; In relationships with all such organisations the general principles of 4.1 and 4.2 should apply.

8.4 Core Supplier

Suppliers with which Traidcraft has a direct relationship and with which the Traidcraft Partnership Review Process is conducted and a Partnership Agreement is developed. Traidcraft will adopt a supplier as a core supplier only after the following:

- Commercial viability rationale is presented to and approved by the Executive team.
- Establishment of 'fit' to Traidcraft's mission and objectives is approved. This will follow an assessment of potential fair trade impact, after profile and information about the organisation is collated, and after a personal visit by Traidcraft staff or its representative to verify collected information and to meet key personnel within the organisation.

For reasons of market requirement or trialling products, fair trade purchases may be made from a supplier who is not a core supplier, in which case a clear duration for the relationship will be defined and made clear to the supplier to manage their expectations. Such suppliers must be members of IFAT, certified by FLO, or have clear references given by and trading experience with a member of EFTA or IFAT.

A supplier may be 'de-listed' as a core supplier due to circumstances of changed commercial viability, where it is considered that the supplier and producers are no longer dependent on the fair trade market or where the supplier has moved away from fair trade/Partnership Agreement principles.

8.5 Buyer

The organisation which contracts the purchase transaction with the supplier. This may be Traidcraft or it may be another organisation that will apply Traidcraft's criteria on its behalf. If the latter then Traidcraft will ensure that appropriate mechanisms are in place to ensure that its fair trade standards are applied and that principles of transparency and traceability are applied. Traidcraft endorses the international fair trade network and recognises the benefits of shared resources.

8.6 Partnership

A relationship between buyer and supplier which has continuity, especially in the provision of regular orders and to progress and measure the defined benefits to producers. This means that the supplier needs to demonstrate a similar relationship of partnership with the producers it represents or sells on behalf of.

It is also a relationship where there is mutual respect and transparency, and where issues are dealt with through co-operation and fair negotiation.

8.7 Fair Price & Payment Terms

A fair price is one that is mutually acceptable to buyer and seller and which allows the possibility of defined benefits for the producer to be realised. This will cover cost of production (COP) and allow a reasonable surplus, whilst ensuring that labour components of COP cover living* wages and incomes of producers. A fair price also protects economically vulnerable producers against uncertainties, especially market price or currency fluctuations. It is not always linked to market price, nor is it always above the market price.

Fair payment terms consider the role of credit facilitation or advance payment against orders for crop financing, raw materials purchase, cash flow management etc. They also commit the buyer to pay at agreed terms in a timely manner.

* Defined as a wage plus benefits which are paid for a standard working week and which meet, as a minimum, national legal standards or industry benchmark standards, whichever is higher. In any event wages should always be enough to meet basic needs and to provide some discretionary income.