



**TRAIIDCRAFT**  
Fighting poverty through trade

## **POLICY AND PROCEDURE**

### **PURCHASING POLICY**

# **TRAIIDCRAFT PLC & TRAIIDCRAFT EXCHANGE**

Version: May 2012

## 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**

- We express Christian principles in our policies and activities, especially the principles of love, justice and service which were lived and taught by Jesus.
- We work in partnership with the poor, disadvantaged and marginalised, whatever their creed.
- We work together with all those who share our commitment to fighting poverty, whatever their faith commitments.
- We recognise that poverty has spiritual and moral as well as material dimensions.

### **Traidcraft's mission is fighting poverty through trade**

- We focus on the reduction and prevention of poverty and gross inequality, especially in developing countries.
- We fight poverty by engaging directly in trade, by influencing others who engage in trade, and by developing the skills and market access of poor producers.
- We raise awareness of issues relating to poverty among consumers in the UK, and encourage them to make moral choices as they spend their money.

### **Traidcraft abides by and promotes fair business practices**

- We seek fairness for producers, customers, shareholders, employees and other stakeholders.
- We encourage the payment of fair prices that allow fair rewards to be paid to producers.
- We encourage best practices in conditions of employment.
- We recognise that organisations should work in the interests of all stakeholders, and not simply to maximise financial returns.

### **Traidcraft strives to be transparent and accountable**

- We report on our activities openly and honestly to stakeholders in our financial and social accounts.
- We expect those with whom we work closely to be prepared to open their own practices to scrutiny.
- We listen to the views of our stakeholders, and especially to the voices of people living in poverty.

This policy seeks to apply these principles in setting standards and guiding approaches 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 of goods & services and delivery of 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 Fairtrade certification models.

### **3.0 Scope**

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

For fair trade purchases geographic scope is limited to the continents of Africa, Asia and Latin America. Fair trade purchases from other countries may be made subject to those countries being classified as 'medium' or 'low' on the UNDP Human Development Index and subject to Board approval. Purchases from countries within Africa, Asia and Latin America which are classified as 'high' or 'very high' on the UNDP Human Development Index may be permitted with periodic review to ensure continued adherence to Traidcraft principles outlined in 1.0. However, Traidcraft will always pay greater attention to the needs of poor communities within these countries than to national average statistics.

### **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 in their business and supply chain operations.
- 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. Where possible 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 Suppliers should comply with internationally recognised standards and conventions, especially those of the International Labour Organisation (ILO).<sup>1</sup> Where possible this should include not only the supplier's own organisation but also their suppliers of key raw materials or sub-contracted services or other intermediaries in the supply chain with whom the trading relationship is indirect e.g. shippers, agents, brokers etc.

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

For procedural guidelines and principles relating to suppliers of non fair trade products for resale as described in 6.0 below and to suppliers of all other goods and services see appendix 2

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<sup>1</sup> 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 95, 100, and 110 covering conditions of employment.

ILO Convention 155 covering occupational health & safety.

## **5.0 Standards for Fair Trade Purchasing**

The general standards outlined under 4.0 apply

### **5.1 Traidcraft's Fair Trade Model**

Traidcraft has established a classification model for the selection of suppliers with the objective of maximising the development impact of Traidcraft purchases whilst maintaining commercial viability:

**A: Support and Development Partners**

**B: Trading Partners**

**C: Occasional or Trial Suppliers**

All suppliers of fair trade products should comply with the criteria for this model (See appendix 1)

### **5.2 Verification of Fair Trade Standards**

All suppliers categorised as described above will have fair trade standards verified by one of the following:

- Certification by Fairtrade International or other credible third party certification systems e.g. IMO Fair for Life
- The European Fair Trade Association (EFTA) Fair Trade Assessment system whether implemented by Traidcraft staff or other EFTA members
- Formal endorsement by another Fair Trade Organisation or credible membership of the World Fair Trade Organisation

### **5.3 Terms of Trade**

#### **5.3.1 Fair Price and Living Wage**

Traidcraft commits to paying prices to suppliers which enable primary producers, artisans, workers etc to earn a fair return for their effort. For purchases from suppliers certified by Fairtrade International or any other recognised fair trade certification then the appropriate trading standards apply. For suppliers not certified then a fair price will be developed through a process of structured dialogue which takes account of the views, needs, conditions and standard of living of producers, artisans, workers etc. and promotes negotiation amongst them.

Traidcraft's aspiration is that all producers, artisans, workers etc earn a living wage i.e. an amount which covers reasonable cost of living plus discretionary income. Traidcraft also recognises the limitations of formulaic and generalised calculations of a living wage rate and the complexities of implementation, especially in the small scale, rural and informal sectors. These limitations are evident, for example where fair trade is only a small part of a suppliers commercial activities, where legal minimum wages are lower than perceived living wages, or where the commercial viability of a supplier is under threat and therefore the livelihoods of producers, artisans, workers etc are similarly under threat,

Traidcraft will continue to monitor the situation of suppliers through its ongoing fair trade assessment process or by understanding the detail of appropriate fair trade

certification standards, and expects to see clear plans and processes for increases to appropriate living wage levels.

See also appendix 3 for Traidcraft's position statement on 'Living Wage'

### 5.3.2 Pre-Financing

Traidcraft will consider reasonable requests from suppliers for pre-finance against purchase orders, for purchase of raw materials or for other relevant activities linked to the purchase of products. Pre-finance will be interest free but subject to a proposal presented by the supplier following guidelines issued by Traidcraft.

### 5.3.3 Making Payments

Traidcraft commits to make payments in a timely manner and against terms mutually agreed with the supplier as specified on a purchase order, contract or supply agreement.

## **5.4 Introduction of new suppliers**

From time to time new suppliers may be introduced whether through entry into a new product category or through strategic intent to target more category 'A' suppliers of an existing product. For category 'C' suppliers formal approval may be made by the Sourcing Director or Head of Non-Food Development. For category 'A' and 'B' suppliers recommendations should be made through the Sourcing Director or the Head of Non-Food Development and formally approved by the Development Management Team.

## **5.5 Exiting from Suppliers**

From time to time it may be necessary to cease purchasing from a supplier. For category 'C' suppliers this may be on a regular basis, in line with category 'C' definitions (see appendix 1), and formal approval required by the Sourcing Director or Head of Non Food Development. For Category 'A' and 'B' suppliers this may be for one of the following reasons:

- Graduation of a supplier to the mainstream commercial sector and no longer requiring fair trade support.
- Failure to comply with fair trade standards and an unwillingness to make improvements thus presenting reputational risk to Traidcraft.
- There is clear evidence of unsustainable commercial viability of continued trading.

For such situations an exit strategy should be developed and approved by the Development Management Team. This should include:

- Justified and, where possible, mutually agreed rationale for the exit
- A mutually agreed timeline with clear milestones
- Understanding of longer term impact both to the supplier and to Traidcraft

## **5.6 Added Value**

Traidcraft will aim to maximise the value added in the country of production by processing or packaging at or near to the source and, where this is possible, preferably organised and controlled by the supplier. In considering the application of this principle Traidcraft will consider carefully the impact of such changes on the viability of a product taking account of the risk of lower quality or higher costs.

## **5.7 Other Fair Trade Purchasing Considerations**

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

### **5.7.1 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.

### **5.7.2 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
- 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 also Traidcraft's Environmental Policy and section 7.2 below.

### **5.7.3 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, silk, honey). In partnership with suppliers, Traidcraft will seek to use materials from sources that achieve good practice in animal welfare.

## **5.8 Fair Trade Products for Resale**

### 5.8.1 Traidcraft Branded Products

Traidcraft branded products will apply the principles of supplier categorisation as outlined in 5.1

### 5.8.2 Composite Products

Traidcraft seeks to develop products which maximise the value of fair trade purchases from suppliers. 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 suppliers 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.

Non Food Products (e.g. handicrafts, garments, textile products etc) – Traidcraft will always seek, where appropriate, to purchase products with a substantial labour cost input recognising that this is the key fair trade component of such products.

Grocery Products (e.g. food and other consumable & household products) – For Northern and some Southern 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 seek to maximise the value of fair trade ingredients in a finished product, and also consider the percentage of fair trade ingredients by volume, aiming for a minimum of 50% by dry weight (where applicable), whilst recognising the need to deliver competitive retail price points. 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, where commercially viable, with its manufacturers in a transparent manner to identify and utilise appropriate sources of non-fair trade ingredients which have fair and ethical credentials in the Northern context. For example by applying local sourcing principles or promoting independent small holder farming.

### 5.8.3 Selling other Fair Trade brands

Whilst predominantly giving focus to the Traidcraft brand through which its own distinctive fair trade model (as described in 5.1) may be implemented, there may be circumstances where selling other fair trade brands may be appropriate. These circumstances are as follows:

- Guest Brands: These will be the brands of Northern Fair Trade Organisations with a similar mission to Traidcraft. They will also be products which are complementary to the Traidcraft brand (for example where there is not a similar

Traidcraft product in that range), or historically important to Traidcraft supporters and therefore meet customer expectations.

- **Supplier Owned Brands:** Recognising that for some Southern Fair Trade Organisations or suppliers of fair trade products, marketing their own brand is an important developmental step, Traidcraft will seek to promote such brands where appropriate and commercially viable.
- **Trial Brands:** From time to time Traidcraft may need to sell the brands of so called 'commercial organisations' that have developed products carrying the Fairtrade Mark but are not recognised as Fair Trade Organisations. This should always have commercial drivers whether filling a gap when the Traidcraft brand is unavailable, or testing out new product categories as part of developing a Traidcraft branded product. Listing of such brands must always have a clear timeline and be reviewed regularly

Having consulted with the Chief Executive, the listing of additional grocery brands will be approved by the Strategic Grocery Group and the listing of additional non-food brands will be approved by the Sourcing Director and Head of Non Food Development. This is in addition to those products meeting the commercial requirements of Traidcraft. All such brands will meet one of the above three categorisations and for 'trial brands', a clear rationale and plan must be developed as part of the approval process.

The Business Management Team will review the status of all brands on an annual basis.

## **6.0 Standards for the Purchasing of Products for resale 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 product promotes Traidcraft's mission and objectives in campaigning, education, fundraising and brand promotion.
- The product raises additional revenues for producer 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.

Where appropriate and viable Traidcraft may consider developing fair trade alternatives for such products

## **7.0 Specific Policies in product sourcing**

### **7.1 Genetically Modified Organisms (GMO)**

Traidcraft recognises the controversy surrounding the cultivation and use of genetically modified (GM) crops and ingredients. This is in relation to food safety and the possible harm to human health, in relation to the uncertainty about and potential damaging effects on the environment, and in relation to general public unease about the potential 'unnatural' status of the technology.

Traidcraft also recognises the potential benefits of GM technology as a solution to the needs of poor people through, for example, the development of more robust varieties

of seed which might address the negative impact of climate change, seeds which are more pest resistant and therefore reduce the costs of agricultural inputs for farmers, or seeds which are higher yielding and therefore generate increased incomes for farmers. However, Traidcraft also acknowledges the fact that GM technology is largely controlled and managed by large multinationals, is expensive, and can lead to exploitation of those who it could really benefit, through dependency and higher costs caused by intellectual property rules and royalty payments.

In principle Traidcraft will apply a policy of zero GM content for all products purchased but recognises that GM technology is now widely practised throughout the world and includes commodities and geographical regions which mean that it would be impossible to give a 100% guarantee. Only with organic certification could this guarantee be given and this is not always in the best interests of suppliers nor best applies Foundation Principles. Circumstances under which Traidcraft would not be able to guarantee zero GM content are as follows:

- Products from suppliers of agricultural products, whether or not certified by Fairtrade International, located close to cultivated GM crops and where there may be the possibility of pollen contamination.
- Products from suppliers of handicrafts or garments which include cotton which is not certified by Fairtrade International and at volumes which are too low to allow such cotton to be used. Here the fair trade content of the product is linked to the manufacture of the product (see 5.8.2 composite products).
- Composite food products (see 5.8.2) which may include minor ingredients which are not fair trade and originate from potential GM sources e.g. soya based ingredients.

## **7.2 Environmental Impact**

The issue of environmental 'footprint' is important particularly in regard to carbon emissions and climate change. 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 consider and seek to minimise the environmental 'footprint' 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 and 'Eco' Products**

As outlined in 5.7.2 Traidcraft seeks to work with, and purchase from, suppliers who demonstrate a proactive approach to the protection of the natural environment. In addition it is recognised that for suppliers who are certified by Fairtrade International the environmental standards are set high without organic certification being a requirement. Development to organic certification will be encouraged only when it is in the best interests of suppliers, 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.

In developing products for resale, focus will be given to minimising negative environmental impacts of that product including packaging. The degree of product messaging or certification linked to environmental issues will be decided on a case by case basis and in line with marketing and sales opportunities.

## **Appendix 1: Traidcraft's Fair Trade model (ABC)**

### **A: Support and Development Partners**

'A' groups will be the focus of most of Traidcraft's future support and development work. Those classified as A may be smaller weaker businesses themselves or may be more established southern fair trade organisations who Traidcraft will work in partnership with to achieve greater development impact (eg by broadening their work to include new producer groups or work with different marginalised sectors of the community.)

In each case:

- There will be a strong mission fit, with potential to have greatest impact on the poor and most disadvantaged.
- They will, or with support will be able to, supply products that have good potential for Traidcraft to sell in the medium to long term
- There will be potential for the producer group to become a viable, sustainable business without dependency on Traidcraft
- The partnership will be medium to long term and with a clear commitment to trade regularly and with consistent orders.
- Support and development will be at the heart of the relationship with needs based inputs and formalised plans and agreements, and resourced accordingly.
- Impact assessment will be built into the partnership.

Central to category A relationships will be a Support and Development plan that, based on a needs assessment, will detail a programme of capacity building activities with the objective of supporting the producer group to achieve business sustainability in all dimensions: economic, social and environmental. The current Producer Support and Innovation Programme (PSIP) will be strengthened to fund these activities

Further sub categorisation of category A suppliers is as follows:

A1 – Suppliers/producer organisations with low levels of organisational capacity – but not yet represented in Traidcraft product ranges.

A2 – Suppliers/producer organisations with low levels of organisational capacity – represented in Traidcraft product ranges.

A3 – Stronger suppliers/producer organisations or larger 'southern' FTO's we work jointly with to realise mission & objectives. Potentially an indirect link to A1 & A2 type suppliers.

A4 – Suppliers/producer organisations where support & development activities are 'subcontracted' to like minded organisations (FTO's or other development organisations). Not necessarily a direct supplier relationship although we may participate/contribute to joint support & development activities.

## **B: Trading Partners**

This category will comprise the majority of Traidcraft's fair trade suppliers. Here the emphasis on the term 'partner' is used to encapsulate the long term, committed intention of these relationships and recognises that for these groups it is the reliable ongoing trade that enables them to grow their businesses and achieve their development missions:

- There will be a strong mission fit, with potential to have greatest impact on the poor and most disadvantaged.
- They will supply products that have good potential for Traidcraft to sell year after year
- The partnership will be medium to long term and with a clear commitment to trade regularly, with consistent orders and with formal agreements especially for smaller scale suppliers
- The organisation will be stronger and more competent in business activities so support and development will be less important, although may be offered when the need arises

Further sub categorisation of category B suppliers is as follows:

B1: Stronger suppliers/producer organisations with whom we have a direct organisational relationship, whether or not physically trading.

B2: Stronger suppliers/producer organisations where other Fair Trade Organisations take on the role of partner/trader for example products we source via other members of EFTA

## **C: Occasional or Trial Suppliers**

As a business, in order to remain flexible and competitive it is sometimes important to be able to introduce new products or include ingredients from producers without the requirement for long term commitments to relationships and all that that entails in terms of assessments, support etc. There are many fair trade producer groups who have achieved sufficient scale and business sustainability that one-off or occasion trade would be a mutually beneficial arrangement.

Likewise it is important for Traidcraft to have the flexibility of trying a new product or producer group to establish the potential for a longer term partnership

As such category C provides this flexibility without compromising Traidcraft's fair trade values and principles:

- There will be a mission fit in the sense that the supplier will be affiliated with or certified by appropriate bodies e.g. Fairtrade International, WFTO, other Fair Trade Organisations
- They will offer products that add new interest or other additional dimension to the Traidcraft range not offered by current trading partners
- Trade should be on a mutually beneficial basis season by season and the supplier will be happy to supply products to Traidcraft without long term commitment or regular orders.
- Traidcraft will not commit funds to conducting fair trade, business or impact assessments or to support and development activities unless in exceptional circumstances

## **Appendix 2: Procedural Guidelines and Principles for the purchase of goods & services (not covered by Traidcraft's Fair Trade model)**

For general standards applicable to the purchase of all goods and services see 4.0.

In addition, all legal requirements relating to the purchase must be complied with.

Some Traidcraft Exchange projects have specific purchasing requirements that are set out in contracts with donors and these must also be adhered to in addition to what is set out below.

### **General principles**

All suppliers of goods and services will be covered by an appropriate contract, purchase order or supply agreement. All purchases should be authorised in line with Traidcraft's Authority Limits.

Budget holders are responsible for adhering to Traidcraft's purchasing policy when placing orders or committing the organisation to any expenditure.

In all cases we will wish to consider prior to entering into a contract both the ethical credentials of the supplier, particularly as these impact upon Traidcraft's own values and mission, and the quality/value for money of the good or service being sought.

Where appropriate, and prior to contracts being completed, full product specifications should be supplied, or a Traidcraft product specification template completed. All original quotations and documents should be retained for inspection and the purchasing procedures followed should be documented.

All suppliers will be dealt with equally, with integrity and fairness and in a professional manner. Relationships with suppliers should be constructive, but built on a competitive approach that will lead to cost savings and better quality.

### **Ethical considerations**

Before the purchase of any goods that are for resale to customers, and in addition for those major purchases and significant regular supply contracts in excess of £50,000 per annum, suppliers should be able to demonstrate appropriate compliance with the ethical principles outlined in section 4.0. of this policy.

Traidcraft will take particular note of any companies who might be involved in the following types of activity:

- More than 10% of turnover in arms, alcohol, tobacco, gambling or pornography (i.e. ethical standards applied by most church investors);
- Links with oppressive regimes;
- Poor treatment of workers in the developing world;
- Irresponsible or exploitative purchasing, marketing or lending practices, especially in the developing world;
- Significantly damaging the environment, including the promotion of GMOs;
- Publicly declared opposition to fair trade principles, or inappropriate use of fair trade to mask other bad practices.
- Lobbying governments or the media in favour of any of the above.

If a company has an involvement in any of the above, reference will be made to the Chief Executive who will take appropriate action in involving the Chair of the Board or full Board in any decision to enter a commercial relationship. Even if a proposed contract is for less than £50,000 Traidcraft would not wish to purchase from an organisation which is known to be operating in an unethical fashion, as defined above.

For UK suppliers, wider ethical checks may be through:

- Submission of appropriate policy documents
- Completion of appropriate Traidcraft questionnaires
- Web based assessment tools e.g. Ethical Consumer scorecard
- Certification against appropriate ethical standards

For goods for resale we would expect a supplier to be able to demonstrate an excellent level of ethical credentials.

It is recognised that different methods/approaches may be necessary and more appropriate in ascertaining the ethical credentials of overseas suppliers of goods and services, as items in the list above may not be readily available.

As well as excluding organisations involved in unethical practices, Traidcraft will seek to give preference to suppliers who demonstrate positive ethical values and practices, provided their goods/services are competitive on price and quality considerations.

## **Value for Money**

In purchasing goods and services all departments are responsible and accountable for achieving value for money. Budget holders are expected to ensure that purchases are cost effective and all departments are urged to seek continuous improvements in value for money. It is recognised that the cheapest option may not always be the most cost effective, but where a more expensive option is selected the reason for this must be recorded and the note filed with the project documents and all quotations.

Traidcraft's Sourcing and Finance Departments will maintain lists of approved suppliers, where we are content that they provide good value for money, meet our ethical criteria and where it is felt that a streamlined purchasing approach is appropriate. Commercial negotiations with each of these suppliers will be held at least annually. The BMT will review the list of approved UK/European suppliers every six months, and the DMT will review the list of approved suppliers for other countries twice each year.

- Purchases up to £25,000 (or regular smaller purchases that might be expected to amount to no more than £25,000 per annum) may be made from suppliers on those approved lists without a competitive tendering process, provided that the manager responsible is satisfied with the quotation received and feels that there would be little benefit in a tendering process.
- For goods/services expected to cost between £500 and £5,000 from other suppliers at least two quotations should be sought from reputable, independent suppliers.
- For goods/services in excess of £5,000 from other suppliers, three quotations should be sought. Where it is not possible to source three quotations an explanation should be attached to the documentation.
- Any goods/services expected to cost more than £25,000 (or to amount to more than £25,000 over a year) will always be put out to competitive tender even if an existing approved supplier is known.
- Where total regular purchases from an approved supplier exceed £25,000 per annum their contracts should be reviewed at least annually, and must be put out for full re-

tender on at least a triennial basis. A decision not to re-tender on a triennial basis may only be approved by the Finance Director or Chief Executive.

**Exceptions:** Where one particular service provider is uniquely qualified to provide a service, then three quotes may not always be deemed necessary following a proper assessment of the service that will be provided. This may arise particularly in overseas locations, or where only one supplier has an adequate knowledge of a particular existing system. There may also be occasions when urgency means that it is not possible to follow our normal tendering process. However, any such exceptions and cases in which it has not been possible to source the appropriate number of quotations may only be approved by the Finance Director, Business Director, Director of Programmes and Policy or Chief Executive and will be reported to the BMT or DMT as appropriate.

### **Conflicts of interest**

A purchasing manager who has a personal or family connection to a supplier must alert the manager to whom they report of this potential conflict of interest, regardless of the value of purchase, and the senior manager will ensure that any decision is reviewed independently prior to a contract being signed or other commitment made.

### Appendix 3: Living Wage Position Statement

The principle that workers should be paid at a level that provides a fair return for their work, with prices paid for their products sufficient to cover the costs of production and sustain a decent standard of living, has long been at the heart of Traidcraft's vision for greater justice in trade.

Traidcraft therefore welcomes the growing level of support for the concept of paying a Living Wage as something towards which every organisation should aspire. In our UK operations, we pay our staff at least the UK Living Wage as calculated by the Living Wage Foundation, and we encourage our contractors to do likewise.

The principle remains a good one in overseas contexts too. We pay our staff at least the Living Wage where appropriate calculations are available. However, we are also conscious of the views of some of our long-term fair trade partners, who are concerned that simplistic application of Living Wage approaches could place smaller-scale and more marginalised producer groups at a disadvantage, undermining some of the key developmental goals for which we and others in fair trade are working.

Significant issues and complexities to be noted include the following:

- Many people, including trade unionists, have stressed the importance of participation and negotiation, and asking people what they need, rather than mechanistic calculations of formulae. The voice of southern stakeholders in determining appropriate levels of wages is often not taken fully into account.
- Calculations of a Living Wage level have tended to focus on a factory working context (especially looking at the garment industry), considering national averages, urban contexts and assuming workers are full time. They may be less applicable in rural and informal work contexts. They do not always take account of whether there are several sources of income for a household, or of the availability of education, health or other social benefits provided by the state.
- Formulaic approaches to Living Wage tend to focus only on financial remuneration, rather than wider systems of benefits. These additional benefits can often be significant and highly valued by producers especially in the fair trade context, and some benefits can be helpful in reducing producer vulnerability to risk. However, there is equally a danger that some companies can attach a disproportionately high "equivalent value" to the provision of such benefits in seeking to justify their wage levels.
- Living Wage formulae are less well able to calculate the needs and real incomes of workers operating in a rural subsistence farming or part-time context where paid work is part of a mix of income and outputs for a household, rather than the mainstay of its livelihood.
- In some contexts the gulf is very wide between the nationally-set minimum wage (often rather low) and an advocated Living Wage, making it unrealistic to expect an immediate full transition, especially if competitors are not also making the adjustment.

Whilst we believe that workers who are employed full-time in commercial supply chains should be paid at an appropriate Living Wage level, these complex issues can mean that applying the same formulae on smaller-scale supply chains, especially in more rural contexts, could potentially have unintended damaging consequences for some of the most needy.

Small scale producers within fair trade systems, for example, usually sell only a small proportion of their output on fair trade terms. To apply a Living Wage requirement as a fair trade criterion would mean some would have to pay wages at a substantially higher level, but without higher prices or premium payments on most of their output to make this

affordable. Small farmers and part-time crafts workers could thus find themselves excluded from fair trade supply chains, which would become the prerogative only of larger estates, plantations and factories.

Nevertheless, Traidcraft also recognises that some businesses can simply use such arguments about the shortcomings of the Living Wage approach as a justification for continuing to pay prices at exploitative and unfair levels, rather than acting to improve wages.

So how will Traidcraft work?

- We will continue to pay living wages to all Traidcraft staff within the UK and our overseas operations
- We will continue to ensure the prices we pay for our products enable fair wages to be paid to the producers. However, we will not apply generalised formulae in determining levels of wages within our own supply chains, as we believe this could lead to distortions that disadvantage some needier communities.
- We will instead determine fair pricing models through a process of structured dialogue with our producer groups, and between producer groups and their workers, helping them determine what is the minimum level of income required to sustain an acceptable (and good) standard of living in their particular context. We will cross-reference the outputs of these discussions with other available indicators and benchmarks.
- We will support workers and artisans in gaining the skills and structures to properly negotiate wages, particularly with a view to achieving living wages. We will also continue to support the fair trade businesses we work with to fully understand costing and pricing and the calculation of appropriate wage rates for their products

8.0 Where this process indicates a figure below that suggested by more generalised Living Wage calculations, or where the gap between current and Living Wage earnings is very large, we would expect to see a clear plan and process for a steady rise in the wages paid to workers.

9.0 We will argue that larger companies who have supply chains and levels of profitability where a full Living Wage could be paid to workers should be held accountable for ensuring that wages are paid at that level. We will work on this with companies, NGOs and trade unions within the Ethical Trading Initiative.

10.0 We will work to develop greater understanding in how Living Wage principles can be applied more effectively in small-scale, informal sector and rural contexts. We will support others in the fair trade movement in developing work in this area, and will pay particular attention to the voice of southern stakeholders.

11.0 We will continue to campaign for recognition that western consumers need to pay higher prices for some commodities and finished products in order to achieve greater equity in supply chains.