

## Questions submitted by shareholders

These questions were sent in by those sent in by shareholders who could not be present.

### 1. FAIR TRADER AND SUPERMARKET STRATEGIES

#### 1.1 Liz Stephenson, Key Contact, Lincoln

With all the developments going on within Traidcraft, when will the line be crossed between being a grass roots fair trade volunteer and needing to be a business person with IT skills and marketing expertise and a more professional approach to selling Traidcraft goods. Is Traidcraft in danger of losing touch with the many Fair Traders just holding a monthly stall in their church?

Whilst Traidcraft has to become increasingly professional in the quality and range of its own activities, our Fair Trader volunteers will remain a vital part of our work for the foreseeable future.

We need Fair Traders to sell Traidcraft products that are not available through supermarkets, and they are a uniquely powerful way of spreading the messages of trade justice and fair trade. Selling Traidcraft products in your church or local community does not require IT skills or marketing expertise – just a passion for justice and enthusiasm.

We will of course continue to provide good ideas and strong branding that will help volunteers, and we are delighted that the number of Traidcraft Fair Traders and the amounts they are selling continues to increase.

#### 1.2 Mr RA and Mrs J Plumtre, Shareholder, Retailer, Abingdon

Now that we have successfully got fair trade goods into supermarkets and retail outlets, how do you see the future for Fair Traders and those with shops who cannot compete on price and are experiencing falling sales?

The greater availability of fair trade goods in supermarkets – often at prices which Traidcraft cannot match – is undoubtedly affecting the level of Fair Trader sales, as some of their customers buy their fair trade goods as part of their normal shopping.

However, the number and overall scale of Fair Trader sales continues to grow, and it is important that this does continue. Fair Traders will always be able to offer a wider range of Traidcraft branded goods that are available elsewhere, and we need to communicate more strongly that customers need to support organisations like Traidcraft who – go the extra mile if they want to see the continuation of pioneering developments in fair trade, campaigning activity and experts who will keep a watch on the bigger companies as they engage in fair trade.

We also need Fair Traders so we can sell goods from producers who do not yet qualify for a fair trade label – and who will never do so unless they get the benefits of starting to engage in trade.

#### 1.3 Alan Luff, Shareholder, Cardiff

How can supermarkets sell Fair Trade products for less than do churches or Fair Trade Shops, and why are large sizes available there?

Traidcraft's own products sell at very comparable prices on Fair Trader stalls and in supermarkets, and we do not sell anything in larger sizes through supermarkets.

However, own label fair trade products from supermarkets can often under-cut products from fair trade brands – because whilst they have to pay the same minimum price to producers, they have economies of scale at every other stage of the supply chain.

Traidcraft also has to pay for the costs of packing and sending parcels of products to individual Fair Traders, which adds a further costs to our distribution network compared to that of supermarkets who can handle whole pallet loads of goods at the same time.

## 1.4 Helen Barratt, Shareholder, Fair Trader, Donor, Brixham

Can the Board please tell us the policy of our relationship with the supermarkets? Is it a coincidence that projects [sic we think profits is what is meant] have gone down as we deal more with the supermarkets?

We have sold products to supermarkets because our core desire is to increase sales volumes for our fair trade producers, and to deny them access to larger volumes of sales would be quite contrary to our mission. We also want products in supermarkets to give consumers the opportunity to buy Traidcraft products even if they don't have access to a Fair Trader or are not familiar with our catalogue and webstore.

We recognise that dealing with supermarkets brings greater commercial risks - a small number of large accounts which can readily stop buying, and who are very demanding in terms of logistics. Our strategy has therefore been to sell to supermarkets primarily in licensing partnership with other companies, whereby we can benefit from our partners' scale and selling teams, insulate ourselves from financial risk, but still optimise producer opportunities.

The growth of supermarket sales of fair trade (mainly of their own label offerings, not of our own products) is certainly having an effect on profits, in so far as it is slowing the rate of growth of sales through other channels, since we are no longer one of the few ways in which people can obtain fair trade goods.

But in the big picture, this has always been our aim - to get fair trade into the mainstream so that more producers can benefit and more consumers can have a fair trade choice. We now have to adapt to the this new and competitive environment.

## 2. ENVIRONMENTAL CONCERNS

### 2.1 Rachel, Katharine and Carolyn Zachary: Shareholder, Fair Trader, Donor, Edinburgh

As we are producing more carbon emissions globally than our planet can sustain, in order to sustain life, how can Traidcraft as a whole, rectify this balance?

Traidcraft is doing what it can to minimise its carbon impact, and in the past year we have cut our carbon emissions by some 35% and - whilst acknowledging the imperfections of off-setting systems - we have offset 75% of the remaining emissions.

98% of the products we import are transported by sea freight, and we focus on importing products that are not available locally, or for which there is inadequate supply from local sources.

We view this as an important dimension of our Foundation Principle that Traidcraft respects all people and the environment, and there is no doubt that global warming poses particular threats to many poor people in the developing world. However, Traidcraft's particular mission is to fight poverty through trade, and we will therefore continue to engage in fair trade whilst recognising that all trade will have a level of carbon impact.

### 2.2 Joyce Driver, Shareholder, Fair Trader, London

a) Can we use less paper in our mailings. Placing an address on the back of an empty page needs organising but is not impossible. We and the environment benefit - fewer trees cut down, lower printing costs and less pollution.

b) Envelopes to be returned to do have to be so large and of such high quality. This is a maxim - to take care of the pence and

We have significantly reduced the amount of paper in our shareholder mailings this year by not sending out printed annual accounts and social accounts, and we are increasingly using our website as an alternative to producing printed materials (though many supporters still don't have Internet access, so there are limits to how far this can go).

We have also taken steps to overhaul the types of paper used for our catalogues during the year. The envelopes we use are those we can obtain from our supplier from sustainable sources, and are at the size that is most practical for the type of papers we are asking people to return - but we will review whether a smaller size might be possible next year.

### 2.3 Ann Lindsay Burch, Shareholder, Keele

Does Traidcraft bear in mind that buyers of goods in glass jars may want to re-use the jars (in which case we

would, e.g., prefer screw-on lids for coffee-jars to make them suitable for storing dried fruit or tea-bags, and we want the labels on honey jars to come off without excessive expenditure of elbow-grease and surgical spirit)?

We note this point and will seek to bear it in mind when revising packaging. However, we have to take a variety of factors into account when choosing packagers (costs, reliability etc), and are often limited by the materials and equipment they have available.

#### 2.4 John Boatson, Shareholder, Sheffield

As you are now rebranding so that products are more noticeable are you also taking this opportunity to look at the amount of package used, so to avoid land fill waste and keep costs of product down?

We are very conscious of the need to minimise waste and do try to take this into account in packaging design. There are some interesting new developments in food packaging emerging which we may seek to adopt when it is affordable for an organisation with our relatively small volumes.

However, we do need to have adequate packaging to promote our products in a competitive environment and to protect them during shipment to customers, otherwise we would find sales volumes falling and defeat our primary purpose of securing larger markets for our producers..

#### 2.5 Richard and Rosamund Paisey, Shareholder, Newton Abbot

Can we use less plastic in mailings and packaging of goods?

For food products we use plastic wrapping to maximise the shelf life of products, which is clearly essential. For craft products plastic bags are used to protect products in transit, and to allow staff and customers to see the products they are handling.

Plastic wrappings for catalogues are recognised as giving them greater impact on arrival than if they are enclosed in paper enveloped, and thus increase the potential for sales. However, we are reviewing how we can use a mailing house where degradable plastic wrappers can be sourced.

#### 2.6 Amanda Lyle, Shareholder, Leeds

Could you send out less marketing in order to save paper and waste please?

We do not send out marketing materials for the sake of it but because they are going to lead to increased sales for our producers or donations to our charity.

Wherever possible we are encouraging our regular customers to request electronic newsletters, bulletins and editions of our Magazine, and have cut down significantly on the paper in our shareholder mailing this year.

Increasingly we use html e-mails to promote special offers rather than paper mailings. All the evidence, however is that catalogues remain essential to selling via mail order, and won't be replaced by internet-only activity for many years.

### 3. SHAREHOLDER/GOVERNANCE CONCERNS

#### 3.1 Susan Cotton, Shareholder, Beeston

If most shareholders are receiving reduced accounting information but are asked to vote to approve the Remuneration Report - presumably including that of directors, in the interests of accountability should not the directors' remuneration figures be included in the annual review?

Non-director remuneration is the business of the directors, director remuneration is normally the business of shareholders.

#### 3.2 Stephen Thomas, Shareholder, Cardiff

I support your decision no longer to send the Annual Report and Accounts, and Social Accounts, automatically by post to shareholders. However, one corollary is that we are then asked to vote on resolutions at the AGM on the basis of incomplete information. On the issues of Remuneration and Fees for Directors, there is no information whatsoever provided. How do you propose to bridge this information deficit?

The fact that we did not circulate a printed version of the Remuneration Report is a very good point and an oversight on our part this year: we will need to find a different way of doing this next year.

The report was of course in our full accounts as published on our website, and available on request, and we alerted shareholders to the availability of this document but nevertheless did not specifically make reference to this in relation to the motion on remuneration which we agree would have been helpful.

However, under our governance rules non-executive fees do need to be approved by our AGMs, whilst executive directors' remuneration is technically the business of the Board and not of the shareholders and does not legally need to be approved by an AGM (although bringing the report to the AGM is something we consider to be a good practice, to which we are committed).

### 3.3 Jean Vernon-Jackson, Shareholder, Southampton

Why are there no directors from ethnic minorities?

We appoint directors according to merit and the skills and expertise they bring, not in order to fulfil quotas relating to gender, ethnic origin or other such factors. We have in the past had directors from ethnic minority backgrounds, and two of the six trustees of the Traidcraft Foundation are of non-Caucasian origins we would welcome more, but can only act to appoint the best candidates for the skills that we need on the Board at any time.

### 3.4 James Betts, Shareholder, New Malden

Since Traidcraft has made a small loss, would it be appropriate to restrict any increases in remuneration (resolutions 3, 10 and 11) to the increase in the cost of living (or some comparable index) over the past year?

Non-executive fees are not being increased this year, recognising the loss incurred. Staff salaries are linked to market rates for the jobs being carried out (generally being a little lower than the average for each type of role, and being significantly below commercial market levels at director level).

We do not provide staff with additional salary increases when we make profits so it would not necessarily be right to give them lower pay when losses are incurred.

As well as reflecting justice issues in paying a fair rate for the work done, we need to pay sufficiently well to be able to recruit and retain able staff for our work, and to fall too far out of line with the going rate for particular jobs would quickly create problems.

This year most staff received a pay increase of about 4%, which was a little below the Retail Price Index at the time the increase was being considered. A small number of exceptional performers were rewarded a larger increase than this, and some staff already being paid towards the top of the salary range set for their role received only 3.2%.

### 3.5 Martin Hayes-Allen, Shareholder, Retailer, Donor, Derbyshire

Why does Traidcraft not treat its shareholders as ethically as its producers? (i.e., some dividend at 2-3% ought to be payable and should be factored into your economic planning).

Dividends can only be paid when there are profits to distribute, and for much of Traidcraft plc's history we had a cumulative loss which meant dividends were not legally payable.

Since 2004 we have been in a position to declare a dividend, and have done so on three occasions. We also build an expectation of paying a dividend into our budgets and long-term financial planning.

This year, however, we are reporting a loss on the previous year, and at the time of the AGM we would expect (as usual in a typical year) to be running at a loss prior to the peak autumn season, reducing our cumulative Profit and Loss Account to a level below that required to declare a dividend.

At the time of our 2003 share issue, moreover, we made it clear that whilst we agree entirely that shareholders deserve a fair return on their capital (which is why we were keen to resume paying dividends) we would always prioritise benefits to producers over maximising short-term profitability and dividends for shareholders. We believe that most shareholders agree that this is the right approach.

Nevertheless it is our hope and intention to return to paying dividends as soon as Traidcraft plc returns to sufficient

profitable state.

### 3.6 Edward Povey, Shareholder, Worthing

Why does the company need so many non executive directors?

Under the rules of good practice corporate governance a Board should have more non-executive directors than executive directors. We currently have five executive directors and one we elected Staff Director, so the minimum number of non-executives is seven which is the number we have in post.

We also find that given the diversity of the range of our activities across both the plc and Traidcraft Exchange, we do need that number of non-executives to bring a sufficient range of expertise and perspectives to our Board discussions.

## 4. TRAIDCRAFT EXCHANGE ISSUES

### 4.1 Name and address withheld, Shareholder

Why did you not help the honey producers and the Vietnamese people? Is it not why we invest through Traidcraft so opportunities to build businesses and help improve livelihoods through improving future outlook? If you don't have enough finances why not ask for more investment in Traidcraft!!

We believe this question relates to recent Traidcraft Exchange appeals for help to honey producers and Vietnamese small businesses, and is in effect asking why this is necessary rather than just growing Traidcraft plc's activities.

Traidcraft plc does already source products from Vietnam and work with honey producers in Africa and South America: so it is doing what it can to help.

However, Traidcraft Exchange was set up to enable the scale of our influence and activity to expand far beyond the work that Traidcraft plc could carry out. We cannot grow our own market share at will (it is not just a question of capital availability), and in many cases we are preparing producers to work in local markets and not just to sell to Traidcraft plc. This enables us to help far more producer groups.

Even where we have market opportunities, we do not want producers to become dependent on Traidcraft plc alone for their business. We find therefore that our model of having a trading company and a development charity working in related spheres but with different emphasises and priorities works very well.

It may be worth commenting in this connection that Traidcraft plc cannot simply give money to Traidcraft Exchange, as it needs to retain funds to run and grow its business for the benefit of producers, and even if it gave all its profits to Traidcraft Exchange projects in a good year, the total would only constitute a small proportion of the amount needed to sustain Traidcraft Exchange's project programmes.

For further questions

- [Read the questions asked at the AGM.](#)

These questions were asked at the AGM on 22nd September 2007.