

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2018



FAIRTRADE
FOUNDATION

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Workers wash and sort bananas at Coobana banana plantation, Panama

MESSAGE FROM THE CHAIR



Mark Price,
Chair of Trustees, Fairtrade Foundation Board

2018 was the year that Brexit negotiations were in full swing. At the Fairtrade Foundation we have worked to ensure the government understands the potential consequences for producers in developing countries, as we campaigned for trade that supports international development.

What drives us is that millions of farmers and workers around the world still receive unacceptably low prices for their goods. Since the end of 2017, when global market prices crashed, Fairtrade cocoa and coffee producers have been protected from the worst effects of low prices through receiving the Fairtrade Minimum Price, while others will not have been so fortunate. Many farmers and workers are trapped in poverty and are ill-equipped to protect themselves against the most urgent problem facing them today: climate change.

Fairtrade producers are battling plant diseases, unpredictable weather and natural disasters. Last year, more than 22,000 Fairtrade farmers in Kerala suffered in floods that destroyed their homes and lands. This year, Cyclone Idai caused catastrophic damage to Fairtrade farmers' sugar crops in Malawi.

The Fairtrade market is a vital safety net, but for farmers to both afford life's basics as well as invest in protecting or rebuilding their farms, they need to sell enough of their crop on Fairtrade terms. Here in the UK we know how important it is to increase the size of the market for producers.

That is why, as I introduce this annual report, I am proud that, though there have been challenges within a difficult grocery market, Fairtrade sales have proven remarkably resilient, following in a large part the current patterns of an ever-changing market. Shoppers continued to buy and support Fairtrade, meaning that in 2018 the UK market generated €33.9 million in Fairtrade Premium for Fairtrade producers.

My personal highlight of 2018 was at my first official public engagement as Chair of Trustees. At the conference 'The Future of Trade: Can it work for everyone?' I saw how many delegates were really engaged with our mission. I believe trade can build trust between people, between countries, and bring peace and prosperity, but it must be good trade, a fair trade.

More and more businesses are connecting with their customers on the basis of dealing fairly with those in their supply chain. In the past year we've seen continued commitments and increased engagement from Co-op, Waitrose & Partners, Marks & Spencer, Ben & Jerry's, Greggs and others as retailers and brands increasingly prioritise sustainable and ethical sourcing.

While we celebrate the fact that our unique system is bringing so many benefits to farmers and producers all over the world, we are not complacent about the challenges and our research and experience shows us much more needs to be done. This is why we are open to different ways of working with business to complement traditional certification. As well as sourcing Fairtrade, companies can take greater action and work with us on bespoke programmes that go further to redress inequality in trade. As this report outlines, the Fairtrade Women's School of Leadership in Côte d'Ivoire, funded by Compass Group UK & Ireland and Co-op, is a fantastic example of this. It is now a model that can be replicated in other countries and commodities.

We know we can't make trade fair on our own. Today, the growth in demand for ethical products has led to greater understanding of the problems in supply chains, such as the poverty facing cocoa farmers or the exploitation tea workers continue to experience. In response to this, Fairtrade has increased the Fairtrade Minimum Price and Premium in cocoa and we are looking to expand this to other areas. Fairtrade is also campaigning for businesses and governments to commit to living incomes and wages for farmers and workers.

The Brexit process has sparked a national debate about what we want as consumers and businesses from the way we trade with the rest of the world. And surely, we all want global trade that is free from exploitation and that champions human rights – that's where we at the Fairtrade Foundation can offer our expertise.

I've joined the organisation at an unparalleled time in its history. As we ask people to 'Join the Party!' for our 25th year, we'll also be looking forward. As part of that journey, we will ensure our movement of thousands of campaigners helps us to shape that, so we can continue to bring positive changes for both producers and consumers as Britain's place in the world changes in 2019 – and hopefully gets closer towards Fairtrade's vision of a more equitable world.

VISION, MISSION, OBJECTIVES AND ACTIVITIES

OUR VISION

Fairtrade's vision is a world in which all producers can enjoy secure and sustainable livelihoods, fulfil their potential and decide on their future.

OUR MISSION

Our mission is to connect disadvantaged producers to consumers, promote fairer trading conditions and empower producers to combat poverty, strengthen their position and take more control over their lives.

OBJECTIVES AND ACTIVITIES

We live in a world where too many farmers and their families are still going hungry, paid too little to afford healthcare or education for their children. We live in a world where workers toil in dangerous conditions, and exploitation is still rife. There are big issues like climate change to tackle. Our objectives are to fight poverty by changing trade, and to highlight the issues affecting farmers and workers across the world who work hard yet still struggle to survive. We elevate the voices of farmers, speaking truth to power. By choosing Fairtrade, shoppers, supporters, businesses, schools and campaigning groups have created change through their everyday actions. They have supported farming communities to feed their families, and fund ambulances, maternity clinics and health centres. Remote, marginalised communities now have infrastructure that didn't exist before – schools, electricity and clean water.

To achieve our objectives, our activities include:

- **Offering businesses and consumers a number of ways of engaging with Fairtrade.** This includes licensing the use of the iconic FAIRTRADE Mark, and FAIRTRADE Sourced Ingredient Mark, both of which are ways to source on Fairtrade terms. Meanwhile, our programmes and partnerships with businesses support and offer expertise to companies and hold them to account so they can play a greater role in transforming trade for the better.
- **Using research to raise awareness of the challenges facing poor communities around the world.** Sharing the evidence of what works to address the root causes of poverty and injustice in trade means we can mobilise community groups, politicians and businesses in the UK to redouble our efforts towards a fairer and more sustainable world.
- **Working as part of an international movement.** We are a member of Fairtrade International, which oversees, develops and regulates the international standards of certification that underpin Fairtrade and include the Fairtrade Minimum Price and Fairtrade Premium.



Water pump funded by Fairtrade Premium, Côte d'Ivoire



Coffee trees affected by pests and diseases due to climate change



Nursery school in Côte d'Ivoire where three classrooms have been funded through the Fairtrade Premium so that children can learn in a safe environment, rather than having to travel to the field with their mothers

A woman in traditional attire, including a red and white striped headscarf and an orange and white striped shawl, is shown in profile, holding a bunch of green tea leaves. She is standing in a tea plantation with rows of tea bushes visible in the background. The lighting is bright, suggesting a sunny day. A white triangular graphic element is in the top left corner.

ACHIEVEMENTS AND PERFORMANCE

Here is what we said we would do in 2018,
our key successes and how they help us
achieve our strategy.

OUR 2016-2020 STRATEGY

CHANGING TRADE, CHANGING LIVES: FAIRTRADE CAN, I CAN

FOCUS ON IMPACT



By 2020, we will have increased the volume of bananas, coffee, cocoa, tea and flowers sold on Fairtrade terms.

We will have increased the number of farmers and workers who benefit from programmatic work on climate change, gender, productivity and hired labour.

MAKE FAIRTRADE PERSONAL



By 2020, we will have a brand that sparks an even greater emotional connection with citizens, consumers and supporters.

We will have built and strengthened alliances and coalitions with policymakers and the media to influence change, amplifying the voices of farmers and workers.

IMPROVE AND INNOVATE



By 2020, we will have evolved from a single approach of certifying products to a portfolio of services.

We will increase the number of companies we work with that contribute to sustainable development in ways that really matter to farmers and workers, and which are accountable and transparent.

STRENGTHEN OUR ORGANISATION



By 2020, we will have played a lead role internationally in becoming a simpler, more flexible, cost-effective movement.

Strengthening our networks at origin is of equal importance. Farmers and workers already own half the system – by 2020, they will have even more say in how Fairtrade is run.

FOCUS ON IMPACT



By 2020, we will have increased the volume of bananas, coffee, cocoa, tea and flowers sold on Fairtrade terms.

We will have increased the number of farmers and workers who benefit from programmatic work on climate change, gender, productivity and hired labour.

WHAT WE SAID WE WOULD DO IN 2018

- Protect and grow volume sales of our key products – tea, coffee, cocoa, flowers and bananas – and drive growth in the smaller, newer categories of wine, cotton and gold to generate Fairtrade Premium and impact in our supply chains
- Continue to engage commercial partners in working with Fairtrade in new ways, focusing on protecting and growing Fairtrade Sourced Ingredient (FSI) business through an improved model
- Focus our policy work on Brexit, Modern Slavery and market regulation to support the enabling environment for Fairtrade, and make trade fairer
- Research to better understand the impact on our producers and workers within Fairtrade

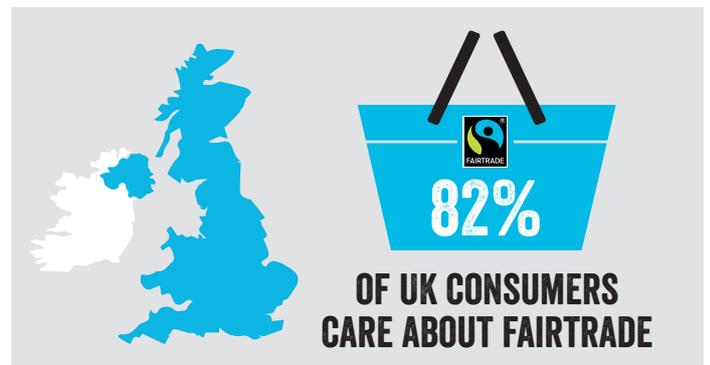


Farmers Sugna Jat and Nadaram Jat pick cotton on their farm, Madhya Pradesh, India

OUR KEY SUCCESSES

Sales performance

In planning for 2018, we expected and prepared for a challenging economic climate in the UK, and its impact on the grocery market dynamic and consequently consumer behaviour. Yet in this uncertain political and economic environment, UK consumers' support for Fairtrade stayed strong, which shows the importance of the Fairtrade cause and that our relevance continues to increase. Our research shows that 82 percent of people care about Fairtrade and 84 percent believe in the importance of third-party certification.



The trust consumers place in Fairtrade and the expectations they have of businesses to work with experienced independent certifications like Fairtrade is strongly recognised by our commercial partners. In 2018, we were able to continue our progress towards forging truer and fairer partnerships between producers and businesses. We have seen brands increasing their Fairtrade commitments and new brands joining us and sourcing on Fairtrade terms. We built relationships with new partners and deepened our relationships with existing ones, working together through additional programmatic interventions to tackle significant economic and social issues facing farmers and workers.

OUR KEY SUCCESSES

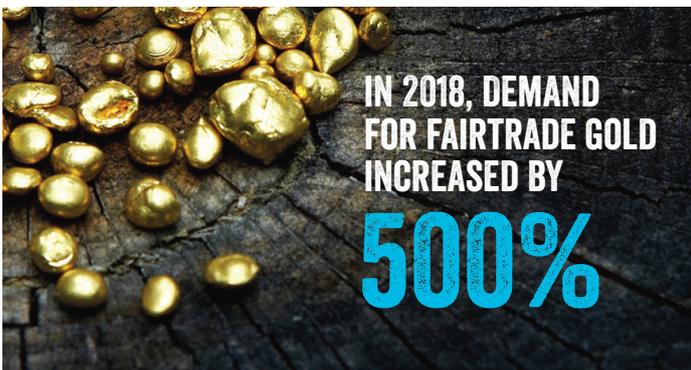
2018 was a year with many moving parts for Fairtrade commodities. Our performance naturally reflects some of the general fluctuations and changes within the UK market, which had an impact on sales volumes.

- It was the first complete year of Cadbury Dairy Milk's move from Fairtrade certification to sourcing under the Mondelez International Cocoa Life programme. Looking at volumes excluding Cocoa Life to get a clear picture of how the rest of the category is performing, we saw an 8.5 percent increase in cocoa volume. This is healthy growth in Fairtrade cocoa and a positive outcome for cocoa farmers who need growing sales on Fairtrade terms to improve their livelihoods.



Drying cocoa beans in Côte d'Ivoire

- Fairtrade tea, excluding Sainsbury's move of volumes to their pilot 'Fairly Traded' tea line, held steady, slightly bucking the trend of the declining UK tea market. Maintaining Fairtrade commitments in a declining tea market is incredibly important for farmers who are hardest hit by low prices.
- In coffee, we saw good growth in the out of home sector in large part thanks to Greggs and its sustained growth. Some of our smaller and newer Fairtrade commodities like gold have grown strongly, which is encouraging as it reflects the headroom for Fairtrade in those markets. Demand for Fairtrade gold is outstripping supply with a 500 percent increase in 2018, albeit from a small base, and demand for Fairtrade wine increased by five percent over 2018, with 26 million kilogrammes of wine grape equivalent.



Protect and grow volume sales of our key products – tea

Building on Waitrose & Partners' commitment to 100 percent Fairtrade tea in 2017, Managing Director Rob Collins visited Kenya with Fairtrade Foundation Chief Executive Michael Gidney in August 2018. They visited two Fairtrade co-operatives to better understand their challenges and the positive impact of Fairtrade on their communities. *'We're proud supporters of the Fairtrade Foundation and have seen first-hand their strong track record of supporting farmers who most need it,'* Waitrose & Partners Commercial Director Rupert Thomas said.



Waitrose & Partners Managing Director Rob Collins visiting tea farms in Kenya

In volume, tea sales declined by 21 percent, largely due to the impact of Sainsbury's trial of its 'Fairly Traded' tea line. Comparing volumes excluding this move, which will be a one-off in volume terms, tea volumes held steady. It is important that we continue our strong relationships with committed tea partners and brands to bolster Fairtrade tea volumes in this immensely challenging market.

One of these brands is Clipper, whose Fairtrade tea will be 25 years old in 2019. During 2018, we worked closely with Clipper and their long-standing producer organisations to develop communication materials that share the story of Fairtrade tea workers, and how they and their families have benefited from Clipper's long-term sourcing.

A new Fairtrade Sourced Ingredient model for tea was devised in 2018, providing more sourcing options for Fairtrade tea businesses and sales opportunities for Fairtrade tea producers.

OUR KEY SUCCESSSES



Clipper promotional material featuring tea plucker Anita Ouran, India

▶▶ Learning and improving

In 2019, we are undergoing a review of the Fairtrade Tea Standard. This will be informed by consultation with a broad range of stakeholders, including the authors of academic papers such as the University of Sheffield's report. This focused on the ongoing challenges for tea workers in India, such as low wages, debt and lack of services, and the difficult context of a highly uneven value distribution where low tea prices, relative to rising costs, pressure plantations to cut costs.

Recommendations on bridging the gap between implementation of certification standards and realities of labour conditions, incorporating worker voice more meaningfully and ensuring companies are sourcing with enough margin to allow plantations to pay higher wages are now part of our tea strategy for North East India. We are proud that as a learning organisation, and with the ever-evolving context around us, our Standards are reviewed with the right level of stakeholder engagement to ensure they deliver for farmers and workers. We believe this is critical.

Protect and grow volume sales of our key products – coffee

In a year that was financially challenging for coffee farmers, Fairtrade coffee volumes remained constant overall, with Fairtrade coffee producers earning more than €9 million in Premium from UK sales in 2018. Fairtrade was the only certifier who offered a minimum price that sat consistently above the global coffee market price, thereby attempting to tackle the serious impacts of price volatility and speculation. Fairtrade certified coffee co-operatives earned the Fairtrade Minimum Price of \$1.40 per pound – about 40 percent more than the current market price – or \$1.70 per pound if organic. This Minimum Price provided day-to-day reassurance to Fairtrade farmers that they would otherwise have been without. In addition to the guaranteed Minimum Price, they earned \$0.20 per pound in Fairtrade Premium, of which at least 25 percent was invested in productivity and quality initiatives. Co-operatives invested the rest in projects of their choice, ranging from processing facilities to community healthcare.

In the UK, we engaged with coffee businesses as part of Fairtrade International's 'coffee price dialogue' to evaluate the current Fairtrade coffee-pricing scheme, and to find out how we could improve it.

Percol launched a new range of 100 percent Fairtrade plastic-free ground coffee as part of their 'Coffee on a Mission' rebrand, as well as the UK's first Fairtrade and organic iced coffee.

Greggs continued to report strong coffee sales throughout the year, driving positive performance in the out of home sector. Our partnership with Greggs continued to strengthen, bringing benefits to farmers and helping Greggs grow substantially in the UK.



Percol plastic-free ground coffee

▶▶ Learning and improving

With funding from the Jersey Overseas Aid Commission, we launched a programme in Bolivia with coffee roaster Matthew Algie, working with coffee farmers to improve farming and environmental management practices. The initial success of the programme has seen coffee farmers successfully improve how they use water for coffee processing, reduce pests and diseases affecting their coffee bushes and increase new coffee plants for bigger harvests.



Coffee seedlings in a nursery, Guatemala

We worked with food service company Sodexo to launch a two-year project on women's empowerment and food security in coffee-growing communities in Peru. After the first year, 33 farmers have new kitchen gardens, allowing them to grow and sell surplus vegetables locally. They have farm hens and guinea pigs, and can take training courses to improve the quality of their coffee. The plan for the second year is to construct solar dryers and offer more training on improving coffee quality.

OUR KEY SUCCESSES

Protect and grow volume sales of our key products – cocoa

Cocoa farmers' challenges include a volatile market and prices, climate change and gender inequality.

In April 2018, Fairtrade International's Senior Advisor for Sustainable Livelihoods, Carla Veldhuyzen van Zanten, presented the Fairtrade International Living Income strategy at the World Cocoa Conference in Berlin to 1,500 representatives from all parts of the cocoa value chain. The Forum recommended: *'We affirm that the cocoa sector will not be sustainable if farmers are not able to earn a living income... All stakeholders should develop and implement policies that enable cocoa farmers to make a living income.'*

The announcement of the Fairtrade Living Income Reference Price was made alongside the announcement of the new Fairtrade Minimum Price and Fairtrade Premium following an extensive two-year global review. In November 2018, we announced the Fairtrade cocoa Minimum Price will increase to \$2,400/metric tonne (MT), and the Fairtrade Premium to \$240/MT with an organic differential of \$300/MT from October 2019 onwards.

2018 saw the first full year of Cadbury's move to Cocoa Life, which means they have committed to sourcing five times as much cocoa sustainably. Fairtrade is a partner in this programme. Taking into account the overall change in cocoa volumes due to Cocoa Life sourcing commitments, Fairtrade cocoa saw an 8.5 percent increase in volumes over the year.

Why it matters

Cocoa producers in Côte d'Ivoire and Ghana organised press conferences in Abidjan and Accra, where they expressed their support for Fairtrade and encouraged commercial partners, their governments, cocoa regulation bodies and other stakeholders to support Fairtrade and engage in better trade practices to enable cocoa farmers to earn a living income.

The Fairtrade Women's School of Leadership in Côte d'Ivoire, funded by Compass Group UK & Ireland and Co-op, successfully completed its first year.



Members of the Women's School of Leadership, Côte d'Ivoire

22 students graduated and seven Women's Associations and income-generating projects were also established. Co-op visited the school in November last year and they have committed to supporting year two, along with Compass Group UK & Ireland.

Co-op reviewed a successful first year of their commitment to sourcing on Fairtrade terms all of the cocoa used as an ingredient in their own label products. In year one they sourced over 2,000 MT of additional cocoa, generating over \$450,000 in Fairtrade Premium.



Cocoa farmers working on a demonstration plot, CAYAT co-operative, Côte d'Ivoire

OUR KEY SUCCESSSES

▶▶ Learning and improving

In 2018, Fairtrade International and Fairtrade Africa began monitoring the impact of the Fairtrade West Africa Cocoa Programme for small producer organisations and their cocoa farmers. They collected data from 35 small producer organisations receiving strategic support and six receiving either basic or enhanced support. The results will be published in 2019.

During 2018, Fairtrade cocoa farmers represented Fairtrade at major conferences in Kenya, France, London and Brazil. Themes covered included the benefits of Fairtrade through the Fairtrade Minimum Price and Premium, and the Women's School of Leadership.

Fairtrade continues to work to increase the commitments of major brands and UK retailers to sourcing cocoa on Fairtrade terms. The strong engagement from Waitrose & Partners has been demonstrated by their ongoing work to increase volumes of Fairtrade ingredients used within its own brand products. Waitrose & Partners have developed a strategy to increase its use of FSI cocoa, namely moving to 100 percent FSI cocoa in their confectionary range. Their intention is to make a public commitment on this in Fairtrade Fortnight 2019.



CASE STUDY – TAKING THE LEAD TRAORÉ AWA

“ I LEARNED SO MUCH. I LEARNED ABOUT HUMAN RIGHTS, DEMOCRACY, THE ROLE OF WOMEN IN THE ECONOMY, AND WHAT WOMEN MUST DO TO TAKE A LEADING ROLE IN THAT ECONOMY. ”

Awa is Director General of CAYAT, a Fairtrade cocoa co-operative in Côte d'Ivoire, and a graduate of the Women's School of Leadership. Awa found her time at the school deeply inspiring. She says 'my dream is to impact many more women to be economically empowered' and she's putting the skills she acquired to good use in her role in the co-operative's Women's Association.



Protect and grow volume sales of our key products – bananas

2018 was challenging for retail banana sales. Despite some growth in Fairtrade organic banana sales, overall, the fluctuating retailer performances of 2018 saw a slight decline in Fairtrade conventional banana sales. Overall there was a three percent decline in volumes of Fairtrade bananas, most likely linked to increased sales through the 'discounter' supermarkets, where Fairtrade's presence is not as strong as in other retailers.

▶ Why it matters

The ongoing 'race to the bottom' between retailers keeps banana prices low in UK retail, highlighting the need for the Fairtrade Minimum Price and Premium to protect the livelihoods of banana farmers and workers.

OUR KEY SUCCESSES

Following the annual review of Minimum Prices for Fairtrade bananas, improved prices launched on 1 January 2019, meaning a better deal for producers and workers. The revised Fairtrade Standard for Fresh Fruit for hired labour and small producer organisations also launched in April 2018.

▶▶ Learning and improving

Fairtrade continues to work for greater gender equality in the banana sector. Fairtrade International's Global Product Manager sits on the gender equality task force of the World Banana Forum, with civil society and business. This task force finds ways to increase the empowerment and wellbeing of women in the banana sector. At Fairtrade certified banana producer groups, we aim to bring about change through gender strategies that promote women's involvement and activities that can develop skills and ownership.



A worker washes bananas at Coobana banana plantation, Panama

A joint study between Fairtrade, True Price and Trucost was released in 2018, which compared the external costs of conventional banana production with those of Fairtrade. The study found that Fairtrade banana production incurs 45 percent fewer external costs such as environmental or societal, compared to the sector average. The study suggests that most of this difference is due to the higher incomes and better social security protection of Fairtrade banana producers.

Protect and grow volume sales of our key products – flowers

2018 saw the launch of Co-op's 100 percent commitment to Fairtrade African roses, making them the largest retailer of Fairtrade flowers in the UK.

Broader market conditions remain tough in the flower market, but thanks to strong commitments by retailers like Co-op and Aldi, sales were down just six percent, with sales of 88 million, versus 93 million in 2017. Flowers tend to be a discretionary purchase affected by external factors such as economic uncertainty and hot weather (which historically tends to result in lower sales).

We have increased our programmatic interventions in this sector, and were delighted to begin working on the *Dignity for All: Ensuring the Right for a Dignified Livelihood Opportunity for Flower Farm Workers in Ethiopia* programme. This builds on and complements the achievements made from sales of Fairtrade flowers, and is being delivered by Fairtrade Africa and the Ethiopian Horticulture Producer Exporters Association, among others.



Workers tending plants at Red Fox farm, Ethiopia

▶ Why it matters

The work includes launching a Women's School of Leadership, training bodies on the farm such as trade unions, working on including vulnerable groups in the flower sector (such as women and people with disabilities) and advocating and lobbying the government for industry improvements.

Meanwhile, the Flower Enhancement Programme in East Africa has seen our colleagues in Fairtrade Africa training Fairtrade Premium Committees on farms on the benefits of sustainable investments in 2018. We also received funding from our partners JZ Flowers to research the use of and attitudes towards pesticides on Fairtrade certified farms in 2019, in order to find ways to reduce their application.

▶▶ Learning and improving

The introduction of the new Fairtrade Minimum Wage has increased wages substantially in East Africa, especially in Ethiopia (by as much as 74 percent). However, working towards a viable living wage remains a key priority in 2019 and there is still lots to do to spread the cost of increased wages fairly across the supply chain.

Fairtrade research funded by the Ethical Trading Initiative, and in partnership with Women Working Worldwide and Banana Link, has helped to analyse the barriers to women's economic empowerment. We found that an empowered Gender Committee on a Fairtrade flower farm is a vital agent for change, and that Fairtrade Africa's farm training on gender issues has raised awareness and encouraged workers to advocate for their rights. To quote one worker, *'when we joined in partnership [with] Fairtrade, we received trainings and were made aware... there used to be a lot more sexual harassment and discrimination back then... but now, with Fairtrade, we have power and get work done. The Gender Committee has become somewhere for people to go.'*

CASE STUDY – GROWING THE FUTURE EMEBET HAILU

When Emebet started at Herburg flower farm in Ethiopia seven years ago, she didn't know about Fairtrade. But now, as a member of the farm's Fairtrade Premium Committee and Gender Committee, and a participant of the Women's School of Leadership (set up and co-funded by the *Dignity for All* programme), Emebet extols the benefits of Fairtrade.

“ I’VE LEARNED SO MUCH FROM BEING ON THE COMMITTEES: NOW I CAN REPRESENT THE WORKERS AND THEIR RIGHTS. ”

Emebet explains how there used to be very little awareness about gender issues, but now the Gender Committee is a trusted and respected organisation driving change for women workers. With additional training provided as part of the project, the change is likely to continue. As a result, Emebet enjoys her job as production supervisor. She plans to increase her income by selling food and drink in her free time thanks to the income diversification component of the Women's School of Leadership. She can't wait to share what she's learned with her colleagues.

“ I CAN'T UPGRADE THEIR SKILLS AND KNOWLEDGE UNTIL I'VE UPGRADED MY OWN. ”



Worker pruning vines at Koopmanskloof Winery, South Africa

Drive growth in the smaller, newer categories of wine, cotton and gold to generate Fairtrade Premium and impact in our supply chains

Wine

Fairtrade wine sales increased in volume by five percent over 2018, continuing their annual growth, thanks mainly to the commitment of Co-op. In 2018, Co-op sales increased by almost 20 percent, the equivalent of approximately three million litres, following the conversion of its own-label South African range.

A three-year programme was launched in South Africa with Fairtrade Africa, trade unions and NGOs working together to make the South African wine sector more socially, economically and environmentally sustainable. The focus will be on improving workers' rights and working conditions, as well as more environmentally sustainable wine production.

OUR KEY SUCCESSSES

Cotton

In 2018, we welcomed eight new brands to Fairtrade, including White Stuff, making more Fairtrade cotton available on the high street. White Stuff also visited cotton producers in India with us to gain deeper insights into the fibre's origin. Interest in Fairtrade cotton continues to grow and two global brands have included Fairtrade cotton in their sustainable cotton strategies in 2018.

► Why it matters

In partnership with ecos and FiBL, Fairtrade launched the Organic and Fairtrade Cotton Coalition (CCBE) West Africa in September 2018, aiming to support more than 500,000 – or five percent – of all West African small-scale organic and Fairtrade cotton farmers across Burkina Faso, Benin, Mali and Senegal to access global markets. Fairtrade continues to be actively involved with multi-stakeholder initiatives such as Cotton 2040, the 2025 Sustainable Cotton Challenge and Textile Exchange.

►► Learning and improving

We successfully completed our second year of the three-year project in Madhya Pradesh, India, on access to non-GM seeds funded by TRAIID, and led by experienced farmers. The project offers farmers greater independence, improved livelihoods and yields, reduced environmental footprint and better market opportunities through access to high value non-GM cottonseeds.



Workers move basketloads of cotton, Madhya Pradesh, India

Gold

During 2018, we worked in new ways with commercial partners to make it possible to invest in, as well as source from, mines either before or after certification. We are pioneering new and deeper ways of working with major technology, banking and jewellery brands. To deliver on sourcing commitments, we have simplified our sourcing models and supported the development of new tools for commercial partners to promote Fairtrade gold. Through these sourcing options, within the UK market, we continue to service over 200 goldsmiths and licensees.

We have been raising the profile of Fairtrade gold at events in the UK, as well as internationally, including at the OECD's Forum on Responsible Mineral Supply Chains in Paris and ISEAL's annual conference in São Paulo.

Existing volumes of Fairtrade gold cannot satisfy existing demand in the UK and beyond, so gold-producing countries have prioritised support to enable more mines to achieve Fairtrade certification. We have been supportive of Max Havelaar Switzerland and the CLAC (the network of Latin American and Caribbean Fairtrade producers) working together to get an additional 12 mines in Peru Fairtrade certified during 2018, increasing available supply by around 0.4 tonnes (\$16m gold/Fairtrade Premium potential of \$800,000).



Miner drilling in Fairtrade certified AURELSA gold mine, Peru

►► Learning and improving

We have seen increased appetite for new ways of working with commercial partners as well as interest in Fairtrade gold. To satisfy growing demand, we are forging alliances with both private sector partners and institutional donors. We have also seen the value of supporting mines towards Fairtrade certification, while simultaneously building the supply chain and route to market, in partnership with refiners and end-users of Fairtrade gold.



OUR KEY SUCCESSES

Continue to engage commercial partners in working with Fairtrade in new ways, focusing on protecting and growing Fairtrade Sourced Ingredient (FSI) business through an improved model.

We revised the FAIRTRADE Sourced Ingredient (previously Fairtrade Sourcing Programs) Mark, providing shoppers with a consistent but clearly differentiated way to shop for products containing Fairtrade ingredients. We also expanded the range of ingredients for which businesses can use the Fairtrade Sourced Ingredient model, opening up new opportunities for producers to sell large quantities of flowers, vanilla, tea and other ingredients to businesses looking to make large corporate Fairtrade sourcing commitments.



Fairtrade vanilla production, Madagascar

We continued to work with Nestlé, Ferrero and Mars, all of whom have corporate Fairtrade Sourced Ingredient commitments in Fairtrade cocoa and sugar. We were also pleased to welcome new commitments from Co-op, who converted 100 percent of their African roses to Fairtrade, and to sourcing all cocoa used in their own-brand products on Fairtrade terms. New products from Aldi and Lidl, using the FAIRTRADE Sourced Ingredient Mark, also opened up sales of cocoa on Fairtrade terms for cocoa farmers in West Africa.



Buying Fairtrade changes lives



Fairtrade also introduced a new service to business partners, such as Greggs, to support them in understanding the risks of modern slavery occurring in their supply chains, and on reporting on actions taken through Fairtrade sourcing or partnership work to mitigate risks.

Focus our policy work on Brexit, Modern Slavery and market regulation to support the enabling environment for Fairtrade, and make trade fairer

Brexit and trade with developing countries

Much remained unclear at the beginning of 2018 about the impact of Brexit on Fairtrade farmers, and we continued to call for poverty reduction, human rights and environmental measures to be prioritised within post-Brexit trade policy. With members of the Trade Justice Movement, and Fairtrade supporters and campaigners, we called for good parliamentary scrutiny of new trade deals, a message taken up by Parliament's International Trade Committee (<https://publications.parliament.uk/pa/cm201719/cmselect/cmintrade/1043/1043.pdf>).

In September, we published a report (<https://www.fairtrade.org.uk/Media-Centre/News/September-2018/Fairtrade-warns-a-no-deal-Brexit-could-be-disastrous-for-overseas-farmers>) on the impact of a 'no-deal' Brexit, arguing that this poses high risks for Fairtrade farmers. We will continue to argue for future UK trade to be truly fair.

Commonwealth Heads of Government Meeting (CHOGM)

Ahead of the CHOGM in London in April 2018, representatives of producers from Commonwealth countries in Africa, Asia and Latin America, as well as Fairtrade organisations from Canada, Australia, New Zealand and the UK, sent an open letter to Heads of Government calling for concerted action on Modern Slavery, women's economic empowerment, living incomes and living wages. (<https://www.fairtrade.org.uk/Media-Centre/News/April-2018/Fairtrade-unites-to-urge-commonwealth-leaders-to-make-trade-fair>)



Stephen Best, banana farmer and member of Winfa, St Lucia

Market regulation

Our work continues on the challenge that competition law can pose to businesses working together to tackle sustainability issues, especially initiatives aimed at tackling low incomes and wages. Major brands, retailers, and other experts gave evidence for a report published in early 2019. There was a near-unanimous message that competition law is seen as a key barrier to tackling low farm-gate prices. Businesses need clearer guidance on how to work together to tackle low incomes, while remaining confident over the legal position, in order to address low farm-gate prices.

We shared our findings with the UK's Competition and Markets Authority, and will continue to press for clearer guidance on how businesses can collaborate for sustainability purposes in a manner consistent with competition law.



2018 has seen important pieces of research that have helped with ongoing learning for Fairtrade, as well as supporting insights for key products.

Understanding the impact of Fairtrade certification

Fairtrade commissioned independent studies that assessed different areas of Fairtrade. Further details are at www.fairtrade.net/impact-research/evaluation-research

Some of the studies and findings were:

▶ ***Participatory Analysis of the Use and Impact of the Fairtrade Premium – Laboratoire Interdisciplinaire Sciences Innovations Sociétés (LISIS)***

Working with a cocoa and coffee co-operative in Peru, a cocoa co-operative in Côte d'Ivoire, a banana co-operative in Ecuador, a banana co-operative in Peru and a flower plantation in Kenya, this study analysed the Fairtrade Premium. It found that the participation of farmers and workers in decisions about how to spend the Fairtrade Premium has been positive as it means investments are more responsive to their needs and those of their families and communities, across a range of uses such

as training, quality improvements and education. It also shows that small producer organisations could benefit from more support to increase participation in decision-making, Fairtrade Premium Committees could do more to improve visibility and knowledge of Premium use, and Fairtrade Premium Committees in plantations that are in close proximity could collaborate to avoid duplicated investments and fund larger community projects together.

▶ ***Follow up Study – Assessing the Impact of Fairtrade on Poverty Reduction through Rural Development – Centre for Evaluation (CEval)***

Following on from a study in 2012, researchers revisited the same Fairtrade groups to assess the changes over a period of five years, across the same products (banana, cocoa, coffee, cotton, flowers and tea), producer types (Small Producer Organisation, Hired Labour and Contract Production) and countries (Peru, Ghana, Kenya and India). They found that Fairtrade empowers farmers by stabilising their economic situation and sustainably strengthening their awareness of environmentally friendly cultivation. The study also shows that climate change threatens smallholder agriculture and challenges with wages continue for workers in flower and tea plantations.

RESEARCH IN 2018

► SPO Development, Strengthening and Resilience – KIT Royal Tropical Institute

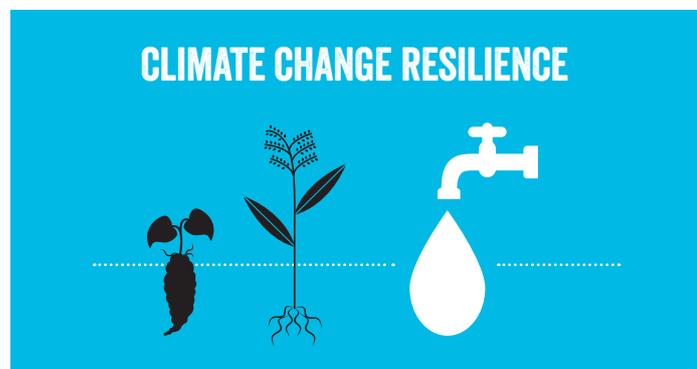
This study of 55 co-operatives in six countries (Côte d'Ivoire, India, Indonesia, Kenya, Mexico and Peru) found that co-operatives had been able to establish themselves with Fairtrade support, had good governance practices and had begun to function as businesses and service providers to their members. However, challenges still exist in growing Fairtrade sales due to limited marketing experience, as well as a need for co-operatives to better assess their risks, support agricultural diversification and achieve greater member engagement, particularly with women.

Using evidence to drive impact

We have also worked with institutional and commercial partners on specific research projects to better understand issues facing farmers and workers in supply chains to scale up impact in an evidence-based way.

► Sustainability landscapes study in the cocoa sector

Mondelēz International (Cocoa Life) and Fairtrade evolved their partnership in 2016 to work together on innovative programmes to improve livelihoods for cocoa farmers, to strengthen farmer organisations, and increase farmers' resilience in the face of climate change. Our latest joint research project aims to identify ways to scale up, innovate, improve and create lasting change for cocoa farming communities in Ghana and Côte d'Ivoire.



This research allows us to see a picture of the whole sector's effort, identifying opportunities for designing and delivering programmes. The results will point the way forward not only for Cocoa Life, but for any interested actor designing programmes or working in West Africa with cocoa farmers. Mondelēz International and Fairtrade will publish the study later in 2019.

Based on the outcomes of this landscape study, the partnership will be in a position to design programmes with farmers using innovative approaches and introduce interventions to positively disrupt the cocoa sector and allow farmers to increase their incomes and improve their livelihoods in a sustainable way.

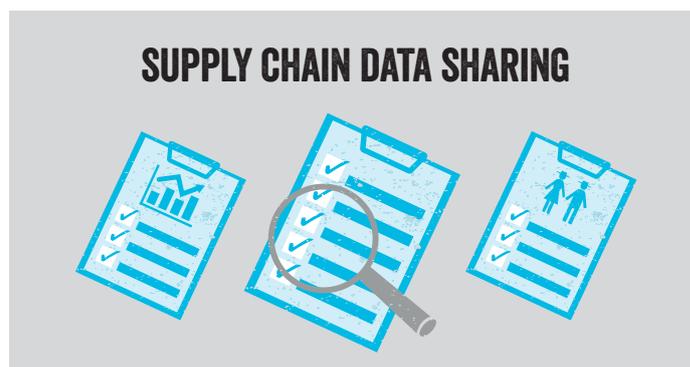
We also expanded on this study with a piece of research working with students from the London School of Economics to look at the sustainability landscape in Brazil and Indonesia.



Training workshop for cocoa farmers, Ghana

► Make data count for producers

We received external seed funding to pilot and action a research project in Guatemala working with coffee farmers using behavioural research and human-centred design methodologies to develop farmer-centred data ecosystems.



This pilot project aims to solve a challenge faced by small producers – that they are routinely required to share supply chain data to meet accountability and transparency requirements, but although they produce this data, they don't always use it to inform their own decisions. The project will aim to bridge the gap between the function of data to meet basic accountability requirements and the important need for producer organisations to be able to use this very same data as an asset to inform sound decision-making, supporting their growth and their members' economic activity.

The work is being extended and we have already committed resources to this project until the end of 2019, with our ambition being to test an innovative and scalable model for the sustainability sector and beyond.

RESEARCH IN 2018

From learning to action

Research findings from previous years highlighted some key areas for Fairtrade to improve, which we have integrated into our work in 2018 and beyond.

▶ Using evidence to improve our Fairtrade Standards

Research studies in 2017 offered a number of recommendations on how Fairtrade could do more for smallholder farmers. In 2018, there was a consultation on the smallholder Standards, where learnings from research were considered and external researchers submitted comments to the consultation. The new Standard will be launched in 2019. We are also engaging with the researchers at the University of Sheffield to use their research insights to inform our Standards review in tea in 2019.

▶ Improving gender equality

Research in 2017 showed the need for further work on gender equality. In 2018, we worked in partnership with Banana Link and the Ethical Trading Initiative on women's economic empowerment, including a literature review of Fairtrade's interventions on gender and best practice case studies. This has helped inform sector-wide learning in this area. We have also developed gender-specific programme work for flower workers in Ethiopia, a gender policy requirement has been included in the SPO Standards Review and we launched public campaigns focusing on women cocoa farmers.



Workers Katya and Graciela remove flower stems from bananas at COOPETRABASUR co-operative, Costa Rica

▶ Looking forward

We are committed to learning from the latest research and future studies. Based on the findings from studies in 2018, we will support Fairtrade to review and improve the way certification works. As part of Fairtrade we are committed to promoting reliable and open-access research and evaluation. As a learning organisation we will continue to invest in robust monitoring, evaluation and learning systems to assess the quality and sustainable effectiveness of our work and adapt our approach accordingly.



Flower workers at Red Fox farm, Ethiopia

MAKE FAIRTRADE PERSONAL



By 2020, we will have a brand that sparks an even greater emotional connection with citizens, consumers and supporters.

We will have built and strengthened alliances and coalitions with policymakers and the media to influence change, amplifying the voices of farmers and workers.

WHAT WE SAID WE WOULD DO IN 2018

- Embed further the Don't Feed Exploitation, Choose Fairtrade messaging
- Launch and embed our public fundraising offer
- Deliver Fairtrade Fortnight and its theme of 'Come on In'
- Reaffirm Fairtrade as a thought leader
- Deliver a programme of public engagement work as part of a Europe-wide consortium, branded 'Trade Fair, Live Fair'



OUR KEY SUCCESSES

Embed further the Don't Feed Exploitation, Choose Fairtrade messaging

Don't Feed Exploitation, Choose Fairtrade has become the cornerstone of our external 'look and feel' and tone of voice. In the materials and work created in the past year – Fairtrade Fortnight, impact report and other reports, digital and social media work – it is clear that the brand looks much more consistent and the ethos of the new guidelines is visible.

Our reach was broad in 2018 – with the number of people potentially seeing our media articles reaching over one billion, and an increase in digital engagement thanks to our very popular Fairtrade Fridays, among other pieces of content. This means that our message is being heard by more and more people, making it even stronger and louder.

Latest research shows that 32 percent of people heard some kind of Fairtrade message during Fairtrade Fortnight 2018 (Kantar TNS post-Fortnight research). These factors, combined with the tireless work of campaigners who continue to spread the message and galvanise public support for Fairtrade, have meant that we ended 2018 with awareness at 93 percent, trust at 84 percent and active choice at 24 percent (Kantar TNS Q4 2018). Finally and very importantly, the successful embedding of this new, more provocative positioning has given us the confidence, springboard and learnings we needed to launch our Fairtrade Fortnight 2019 campaign for living incomes.

93%



AWARENESS OF FAIRTRADE



OF CONSUMERS TRUST FAIRTRADE

OUR KEY SUCCESSSES

Launch and embed our public fundraising offer

Based on our fundraising strategy to diversify our income, we launched our first general appeal during Fairtrade Fortnight 2018. We have increased public income by 45 percent, a great achievement for the Fairtrade Foundation in the first year of this new approach. Given the success of public fundraising, we plan to launch a committed giving scheme in 2019 to offer supporters another way to be a part of the Fairtrade movement. Supporters can 'Buy, Act, Give' to make trade fair.



Deliver Fairtrade Fortnight and its theme of 'Come on In'

Fairtrade Fortnight in 2018 invited people to 'come on in to Fairtrade'. It was an invitation for more people to join us in support of Fairtrade – whether by buying products, becoming a supporter, organising events, signing petitions or fundraising. We told the story of an inspiring banana co-operative – Coobana – whose entrepreneurial spirit, determination and courage have made it the success it is today, despite so many challenges along the way.



Holly Lynch MP (centre) with Fairtrade producers (from left) Marcial Quintero, Mahyana Sari, Ketra Kyosiimire and Fr John Joseph at the APPG meeting

Highlights of the campaign were *Observer* articles on Fairtrade and bananas in Colombia, strong school engagement in our innovative immersive content and hundreds of events up and down the country. Marcial Quintero from Coobana in Panama, Mahyana Sari from Arinagata in Indonesia, Ketra Kyosiimire from Uganda and Fr John Joseph from WOFFA in India delivered passionate, powerful and informative talks on producer challenges, opportunities and the impact of Fairtrade. Whether that was in Parliament at our APPG, at a Unilever head office event or on a very cold and windy Millennium Bridge in central London, they played a crucial part. Support from commercial partners like Greggs, Ben & Jerry's and Co-op meant our messages were even louder, and more and more shoppers and consumers had the opportunity to come on in to Fairtrade by buying products that change lives.



Campaigners in Bexhill-on-Sea



Greggs instore LED panels promoting Fairtrade coffee during Fairtrade Fortnight 2018

OUR KEY SUCCESSES

CASE STUDY – FORTNIGHT FRUITION MARCIAL QUINTERO

“BEFORE JOINING FAIRTRADE WE DIDN’T SEE ANY BENEFITS, DEVELOPMENT OR PROFIT. THE PRICE WE USED TO RECEIVE PER BOX WASN’T ENOUGH TO COVER OUR COSTS – AND FOR 17 YEARS THE PRICE DIDN’T CHANGE. SINCE STARTING WITH FAIRTRADE IT’S MADE A MEGA-REVOLUTION IN OUR LIVES.”

To help people make that direct connection between the products they choose and the people who work hard to produce them, banana farmer Marcial Quintero, a member of Coobana in Panama, visited the UK during Fairtrade Fortnight. Marcial has seen changes in his life as a result of Fairtrade.



Reaffirm Fairtrade as a thought leader

In October, we brought together business leaders from around the UK to debate the Future of Trade, and how trade can be fair and sustainable. Speakers including DFID Minister of State Lord Bates joined directors from Greggs, Co-op and many UK companies. Delegates debated how to move faster to achieve living incomes and wages, gender empowerment and rights, and strengthen transparency and traceability in the UK’s sourcing from developing countries.

Fairtrade producer representatives from Africa, Asia and Latin America emphasised the human stories behind trade, and pressed for renewed commitment from businesses present. The conference was one example of our outreach to businesses across the UK and beyond, challenging for a better deal for producers and their communities, and showcasing the expertise and support that Fairtrade can provide to progressive businesses that want to take action.



Malcolm Copland, Commercial Director, Greggs presenting at our Future of Trade conference

OUR KEY SUCCESSSES

Deliver a programme of public engagement work as part of a Europe-wide consortium, branded 'Trade Fair, Live Fair'

Trade Fair, Live Fair is an ambitious three-year European Commission-funded project launched in late 2017. It unites Fair Trade organisations in Europe to inform and equip citizens and consumers to make more sustainable purchasing decisions, and influence national policy and decision-makers to trade more fairly with marginalised producers. The project delivered significant engagement with the public, media and grassroots campaigners throughout 2018, as well as deepening valuable partnerships both in the UK and across Europe.



Highlights from the project in 2018 include online and printed materials reaching over one million people through community events and over 500,000 online film views during Fairtrade Fortnight 2018. We gathered stories and evidence to create resources to launch our new Living Income campaign in October.



Regional supporter conferences in London, York and Solihull brought almost 200 campaigners together to hear from producers, discuss upcoming campaigns and build the capacity of community groups to take action locally. We innovated by hosting a venue at Greenbelt festival, drawing links between Fairtrade and other sustainable consumption issues, through cookery demonstrations and talks from celebrity and specialist ethical chefs.



Supporters at the regional supporter conference, York

The project also supported public mobilisation and education around the importance of fair trade practices, the need for fairer supply chains and the importance of living incomes and wages for farmers and workers, which are all an intrinsic part of who we are and what we are here to do. As part of our coordination role for the project we have developed shared resources and coordinated public mobilisation across the consortium. We also co-operated on research plans to ensure that we pooled resources in the most efficient way.



Examples of shared resource templates created by the Fairtrade Foundation

IMPROVE AND INNOVATE



By 2020, we will have evolved from a single approach of certifying products to a portfolio of services.

We will increase the number of companies we work with that contribute to sustainable development in ways that really matter to farmers and workers, and which are accountable and transparent.

WHAT WE SAID WE WOULD DO IN 2018

- Relaunch our offer to business, including a commercial conference in October 2018
- Focus on protecting and growing Fairtrade Sourced Ingredient business through an improved model
- Deliver the Mondelēz International Partnership
- Continue scoping, developing and delivering our programmatic approach



Launching our new offer to business at our commercial conference

OUR KEY SUCCESSSES

Relaunch our offer to business, including a commercial conference in October 2018

In 2018, we introduced a new, clear set of ways of working with businesses: through Fairtrade Sourcing, Programmes and Expertise. More information is available at www.fairtrade.org.uk/for-business. We are now working with a number of businesses on programme and expertise services, alongside the core Fairtrade Sourcing model, which remains the primary way in which Fairtrade works with businesses, farmers and workers.

We held a commercial conference in October 2018, showcasing best practice, challenges and learning encountered across all Fairtrade's ways of working with partners. Speakers included:

- Fairtrade Foundation's Chair, Lord Mark Price
- Xiomara J. Paredes, Executive Director, the Latin American and Caribbean Network of Fairtrade Small Producers and Workers (CLAC)
- Mark Goldring CBE, Chief Executive, Oxfam GB
- Malcolm Copland, Commercial Director, Greggs
- Michael Fletcher, Retail Chief Commercial Officer, Co-op
- Dr Nyagoy Nyong'o, Executive Director, Fairtrade Africa

The conference was well attended with representatives from over 70 businesses, including larger companies such as Unilever, Marks & Spencer, Tesco and Mars alongside Fairtrade champions such as Divine, Koolskools and Cafédirect.



Guests take part in a panel discussion

OUR KEY SUCCESSSES

Focus on protecting and growing Fairtrade Sourced Ingredient business through an improved model

Please see section covering this in the Focus on Impact section earlier in the report (page 16).

Deliver the Mondelez International Partnership

Mondelez International (Cocoa Life) and Fairtrade's joint project aims to identify ways to scale up, innovate and create lasting impact for cocoa farming communities in Ghana and Côte d'Ivoire. This research allows us to see a picture of the whole sector's effort, identifying opportunities for designing and delivering programmes with farmers using innovative and disruptive approaches to increase incomes and improve livelihoods.



Continue scoping, developing and delivering our programmatic approach

In 2018, we finalised our programmes strategy. We now have a growing portfolio of Fairtrade programmes that aim to progress towards living income and living wage through interventions focused on themes such as livelihoods, food security, gender equality and women's economic empowerment, workers' rights and climate change.

We continue to build bespoke programme activity for key commercial partner supply chains in cocoa, flowers, coffee and tea, with a strong focus on pilots to test interventions aimed at progressing towards a living income and wage. We further developed our institutional funding capacity as well as our network of strategic partners for programmatic work. These resulted in active programme activity in bananas (Dominican Republic), sugar (Southern Africa), cocoa (Ghana and Côte d'Ivoire) and flowers (Ethiopia). We also developed programmes for gold, tea and coffee.

In 2019, we will continue to innovate, share and embed learnings in growing the lasting change our programmes offer farmers and workers. We will continue to develop strategic partnerships to increase programme investment and support the capacity of partner institutions to replicate and scale by sharing successes across different geographies and value chains.



Sugar production, Kasinthula Cane Growers' Association, Malawi

Women's School of Leadership

As referenced earlier in this report, the Women's School of Leadership aims to enhance women's economic empowerment and leadership in Fairtrade small producer organisations. In 2018, phase two launched with 22 programme participants in Côte d'Ivoire. Each of the seven participating co-operatives held elections to create Women's Associations to take forward projects.



Kra Zelna Madeleine speaks to others as part of the Women's School of Leadership, Côte d'Ivoire

Each participant in the programme continues to receive training on different themes, including women's rights, leadership, project management and income diversification, culminating in a graduation event attended by their families, communities and representatives from government and across the cocoa sector.

In 2018, the project was scaled up to reach an additional 60 participants who will also be trained as trainers to reach an even greater number of participants in year three.

CASE STUDY – GROWING CONFIDENCE ADONI HÉLÈNE

“ I DID NOT GO FAR IN SCHOOL, AND I HAD A COMPLEX, BUT THAT WAS BEFORE. NOW, I EXPRESS MYSELF WITHOUT SHAME. TODAY, MY FAMILY IS MUCH MORE UNITED, AND MY BOYS HELP ME WITH HOUSEHOLD CHORES WITH NO PROBLEM. ”

Hélène appreciated the module on self-confidence and self-esteem. For a long time, she had a complex about her low level of education and had difficulty expressing herself in public. She ended up recognizing her strengths and appreciating herself. The module on gender allowed her to better direct her children’s education. Her boys now help her to prepare the family meal.



Gladys Jepkemoi harvesting coffee cherries, Kabng’etuny Women’s Coffee Cooperative, Kenya



Coffee farmer Zeddy Rotich using her biogas cook stove, Kenya

Growing Women in Coffee

Culminating in 2018, the Growing Women in Coffee programme has facilitated the transfer of assets (coffee bushes) to 621 women in Kericho and Nandi counties in Kenya. Participants were able to earn incomes from coffee, often for the first time. The programme created a platform for women to voice their needs and influence local decision-making through the creation of Women’s Coffee Associations to then establish and promote gender policies within co-operatives and in their communities.

Growing Women in Coffee also included the adoption of 300 domestic biogas units, reducing reliance on firewood and charcoal in these households. As the burden of collecting firewood often falls on women, the four hours saved on average enabled women to spend the time on other activities such as enjoying time with their families and tending to their coffee bushes. This, along with training in good agricultural practices, contributed to more than doubling the yields of coffee bushes transferred to participants.¹

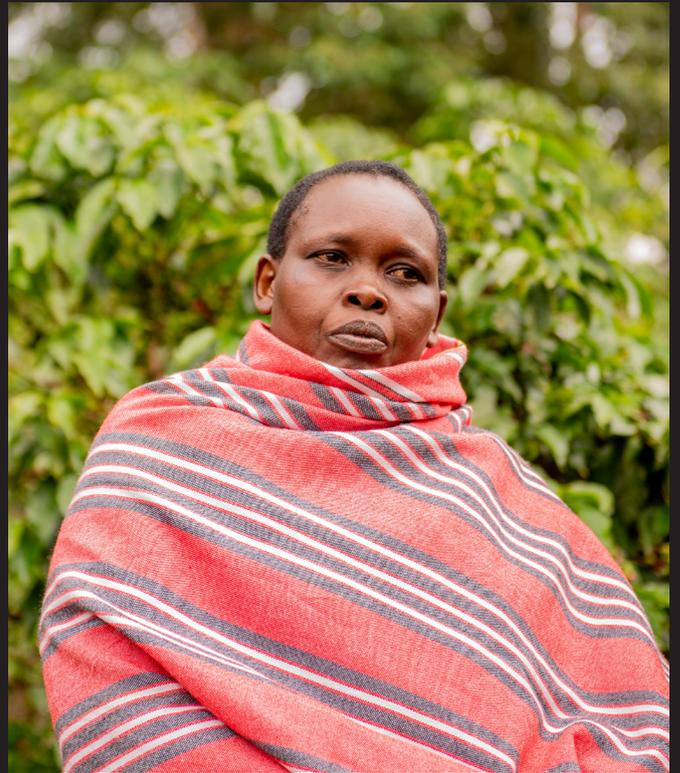
¹ Increased yields from coffee bushes from 2kg/bush to 5kg/bush; increased quality from 25 percent to 87 percent of total production (fetching highest price at Nairobi Auction, 2016).

CASE STUDY – FULL OF BEANS JELAGAT KESEI

Jelagat is a coffee farmer from Kapkiyai co-operative in Kenya, and owns 400 coffee bushes on half an acre of land. She says her life has changed as a result of the Growing Women in Coffee programme.

Jelagat says: 'I earn money and am able to pay school fees for my children and for my personal use... I feel good because I have the farm and it's giving me an income and I can help myself.' The biogas unit has made a difference, too.

“ I NOW DON'T NEED TO FETCH FIREWOOD. I HAVE PLANTED AN ASSORTMENT OF VEGETABLES IN MY SMALL FARM AT HOME. I USE THE BIOSLURRY FOR FERTILISER, I DON'T BUY VEGETABLES ANY MORE. THEY HAVE REALLY HELPED ME. ”



Gender case studies

In 2018, the Fairtrade Foundation worked in partnership with Banana Link and the Ethical Trading Initiative to further research women's economic empowerment. This work included a literature review of Fairtrade's interventions on gender and best practice case studies. The study, along with learnings from the Women's School of Leadership and Growing Women In Coffee programmes, has helped to inform sector-wide learning. In alignment with Fairtrade's Gender Strategy 2016-2020, Fairtrade will continue to integrate learnings into our core work and new programme initiatives in 2019. This has also resulted in a spotlight on other areas of inclusion, including youth and people living with disabilities.



Palestine almonds

Agricultural production is an important contributor to the Palestinian economy, supporting incomes, livelihoods and food security. Almonds are a traditional crop grown in Palestine and are considered to be high-value and low risk with significant market potential for farmers. Increased international demand, as well as limited competition in the production of Fairtrade and organic certified almonds, means that Palestine's almond farmers are well placed to improve their livelihoods and incomes through almond sales.

In 2018, the Fairtrade Foundation carried out the first phase of a programme aiming to strengthen the almond value chain in Palestine. Almond productivity in Palestine is low, which is why the focus is on overcoming challenges underpinning productivity: poor agricultural practices, climate change, a difficult operating environment and limited services, which hamper the ability of farmers to achieve a sustainable income.

A second phase, intended to start in 2019, aims to enable smallholder almond producers to achieve a sustainable livelihood from agriculture, and revive the almond sector in Palestine.

CASE STUDY – ALMONDS AND A HIVE OF ACTIVITY

A key achievement of phase one was the introduction of pollinators among participating farming communities. Yield in almond production is directly dependent on the successful cross-pollination of flowers, which will result in increased numbers of fruit on the trees.

This requires two key elements – firstly, multiple compatible varieties and secondly, bees and bugs. For successful pollination to occur, compatible varieties (with correct pollen) need to be planted in fields. In Palestine, this was not taking place, and farmers were experiencing very low yields for the variety under production. What's more, bees are the most successful pollinators of almond blossoms and are essential for a successful almond crop. Farmers were trained on the importance of beehives, an activity which has been vital in facilitating increased yields for farmers.



Beehives in an almond orchard



Almond farmer Ibrahim Shafia Jalamneh with his crop

STRENGTHEN OUR ORGANISATION

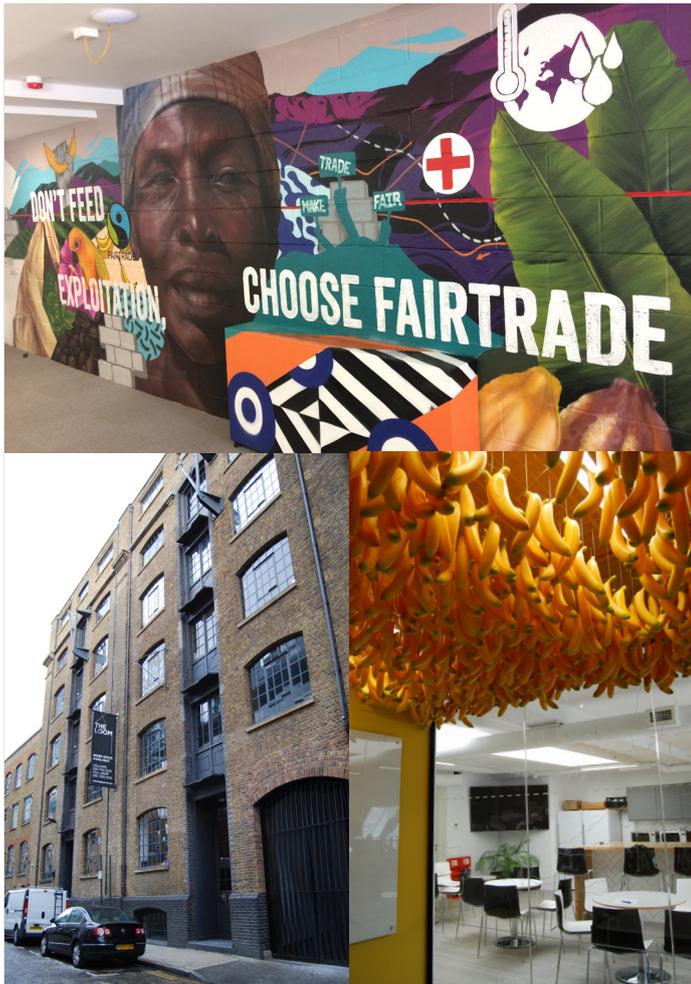


By 2020, we will have played a lead role internationally in becoming a simpler, more flexible, cost-effective movement.

Strengthening our networks at origin is of equal importance. Farmers and workers already own half of the system – by 2020, they will have even more say in how Fairtrade is run.

WHAT WE SAID WE WOULD DO IN 2018

- Move to new premises in July 2018
- Deliver GDPR (General Data Protection Regulation)
- Improve business systems and processes



Making The Loom feel like home

OUR KEY SUCCESSES

Move to new premises in July 2018

In July 2018, we relocated to The Loom, a converted Victorian wool warehouse in Whitechapel, reducing costs and space. The bright new space occupies 6,400 sq ft over two floors. The new office was designed in consultation with all staff, resulting in a modern and functional space where we took the opportunity to optimise IT solutions to allow for flexible working.

Deliver GDPR (General Data Protection Regulation)

Throughout 2018, we have been embedding our data protection policies and procedures with respect to General Data Protection Regulation (GDPR). This has included carrying out regular awareness-raising and training with all staff, and updating of contracts to ensure GDPR compliance, as well as progressing various IT projects with respect to retention policies and document management.

Improve business systems and processes

2018 saw the start of a wide-ranging multi-year data project encompassing further rollout of our Customer Relationship Management system across departments, preparation and testing work with a view to moving to a new volume data system and participation in a global data warehouse project being co-ordinated by Fairtrade International. The data project in the UK is streamlining processes, creating efficiencies and ensuring we have clean accurate data, which can then be used for our different stakeholders, from commercial partners to donors to producers on the ground.

PLANS FOR 2019 AND BEYOND

2019 will be the fourth year of our strategy and plans will continue to deliver impact around our four goals.



- Focus on protecting and growing volume and benefits for our producers through close collaboration with targeted commercial partners
- Focus on securing research grants
- Focus on further embedding a sustainable public fundraising programme
- Continue measuring the impact of our work on the ground



- Focus on growing public support for living incomes (in cocoa)
- Deepen collaboration with our strategic allies
- Continue to focus our policy work on Brexit to support the enabling environment for Fairtrade, and make trade fairer
- Invest in and increase our supporter base
- Celebrate 25 years of the Fairtrade Foundation and its impact, inviting people to 'Join the Party!'



- Continue our data project in the UK aimed at streamlining and developing our systems and processes
- Actively participate in a global Fairtrade data warehouse project
- Continue to deliver bespoke information and insight reporting solutions for commercial partners and new opportunities



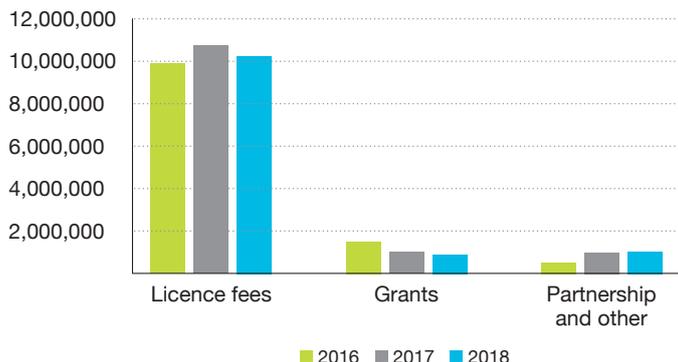
- Redesign our management and development approaches, including taking part in National Learning Week in May 2019 to dedicate consolidated time for learning and development across the Fairtrade Foundation
- Review our Pay and Reward approach at the Foundation
- Embed the Fairtrade Global Organisation Code and associated Assurance Framework, policies and guidance manual at the Foundation

FINANCIAL REVIEW



FINANCIAL PERFORMANCE

Trend in income



Total incoming resources in 2018 decreased by one percent to £12.2 million from £12.4 million, with small decreases in licence fee revenue (£164,000) and restricted grants (£113,000) offset by an increase in other expertise and commercial partner-funded work.

Licence fees continue to represent the majority of total income (2018: 84 percent; 2017: 84 percent). Licence fee income decreased by two percent to £10.2 million (2017: £10.4 million). Fundraised income from grants and donations decreased by eight percent to £1.0 million (2017: £1.1 million) due to the completion of certain multi-year grants offset by new grants such as gold work funded by The European Partnership for Responsible Minerals and The Genesis Charitable Trust, plus work on delivering information and insight to drive positive social impact for farmer and worker communities funded by Humanity United. We continue to explore ways of diversifying our income streams and reducing our reliance on licence fees and to this end are investing in public fundraising and new ways of working with businesses and other stakeholders, including Mondelēz International. Total expenditure decreased by three percent to £11.2 million from £11.6 million. This comprised:

- No overall change in the amount spent on 'Focus on Impact', reflecting our strategy of moving more funds to the South through increased fees to our producer networks offset by less direct programme funding in 2018.
- A reduction of £0.2 million on 'Improve and Innovate' due to staffing vacancies during the year and a consequential reduction in allocated overheads.
- A reduction of £0.2 million on 'Make Fairtrade Personal' as 2017 included significant setup expenditure on our new supporter database which was at a lower level in 2018, the advocacy grant from Charities Aid Foundation ended in 2017 and we scaled back expenditure on Fairtrade Fortnight in 2018 and funded it almost exclusively from an EC DEAR grant.

Of the total expenditure, charitable expenditure represented 96 percent and the cost of raising funds was four percent (2017: 96 percent, four percent). We continue to invest in public fundraising as part of the strategy noted above of seeking to reduce our reliance on licence fees by diversifying our sources of income. It should be noted that the impact of Fairtrade is not just the direct charitable expenditure. Lives of producers are

significantly improved by access to guaranteed Fairtrade Minimum Prices and Premium.

Total funds increased by 21 percent to £5.6 million from £4.6 million. Restricted funds increased to £777,000 from £756,000. Unrestricted funds increased by 25 percent to £4.8 million from £3.9 million.

Trustees and management conduct quarterly reviews of financial trends and the assumptions used in forecasting financial performance for at least the next 12 months. They consider the charity remains a going concern. There is ongoing work to improve the efficiency and effectiveness of the organisation, including changes to systems and processes and the move to new, smaller, offices completed in July 2018.

INVESTMENT POLICY

The Memorandum and Articles of Association allow the Fairtrade Foundation to invest funds not immediately required as the Trustees think fit. The Board has an investment policy that allows cash to be invested in short-term cash deposits of up to six months. All investments are subject to financial and ethical criteria. Due to the level of cash reserves, the Foundation has only invested in on-call cash accounts.

RESERVES POLICY

The Trustees review the reserves policy each year as part of the overall risk management of the Foundation. The target level of reserves is reviewed as part of the planning and statutory reporting cycles. Reserves are needed for working capital and to cover temporary shortfalls in income and unforeseen increases in expenditure so that the charity can continue to operate at all times. The Trustees have reviewed the reserves policy as at 31 December 2018. Under the policy, the target reserves level is based on the higher of: 1. A risk-based calculation of £3.9 million (2017: £2.45 million), based on the financial implications and likelihood of significant risks. 2. 12 weeks' of unrestricted expenditure; £2.3 million (2017: £2.4 million).

Free reserves, excluding fixed assets, as at 31 December 2018 were £4.5 million and were therefore above the minimum level set by the reserves policy. Trustees consider that given the significant uncertainty facing the economy, our licensees and Fairtrade consumers from Brexit, together with the financial impact of other principal risks and uncertainties noted below that it is prudent to hold a level of reserves which is higher than the policy to ensure stability over the coming year. The level of reserves is monitored quarterly by the Trustees.

Cash is also a limiting factor. The majority of income is from licence fees which are invoiced in arrears. Therefore cash balances are not always correlated with reserves. Cash balances, excluding cash held as agent, increased in the year to £3.5 million from £2.7 million, of which £712,000 (2017: £422,000) was restricted funds. The additional cash held as agent of £3,000 (2017: £293,000) was held on behalf of the Fairtrade movement and is not owned by the Foundation. Cash flow forecasts are prepared regularly and future cash needs are taken into account when setting reserves targets and budgets.

PRINCIPAL RISKS AND UNCERTAINTIES

RISK MANAGEMENT

The Trustees undertake a regular review of risks and opportunities facing the Fairtrade Foundation. It is an integral part of the Senior Leadership Team's management responsibilities. The Trustees believe that through this process a wide range of risks have been identified, quantified and, where appropriate, action taken on a continuing basis to manage those risks. The Trustees have reviewed the risks and consider the strategies for mitigating the risks to be appropriate. One method of combating risks and uncertainties is through financial forecasting and scenario planning, and holding appropriate levels of reserves and cash, giving time to respond to situations as they arise.

PRINCIPAL RISKS

Income diversification – we face increasing challenges and pressure on our licensee fee income, which remains our predominant income stream. To minimise this, we are focusing resource on exploring new ways of working with businesses and other stakeholders. We relaunched our offer to business at a commercial conference in 2018, and we are extending our fundraising work, and continuing to work in new and innovative ways with our commercial partners to create more impact for producers.

The UK economy and grocery market – the continued pressure on retailers to reduce prices threatens sales of Fairtrade products while retailers are examining ways to reduce costs. This presents a risk to producers and workers that the market for their products will reduce and a risk for the Foundation that income will fall. This is mitigated by maintaining close relationships with retailers and licensees and by continually demonstrating the commercial value to their businesses – in addition to the benefit of Fairtrade to producers and workers. We continue to maintain and increase the awareness of the value of Fairtrade with the public.

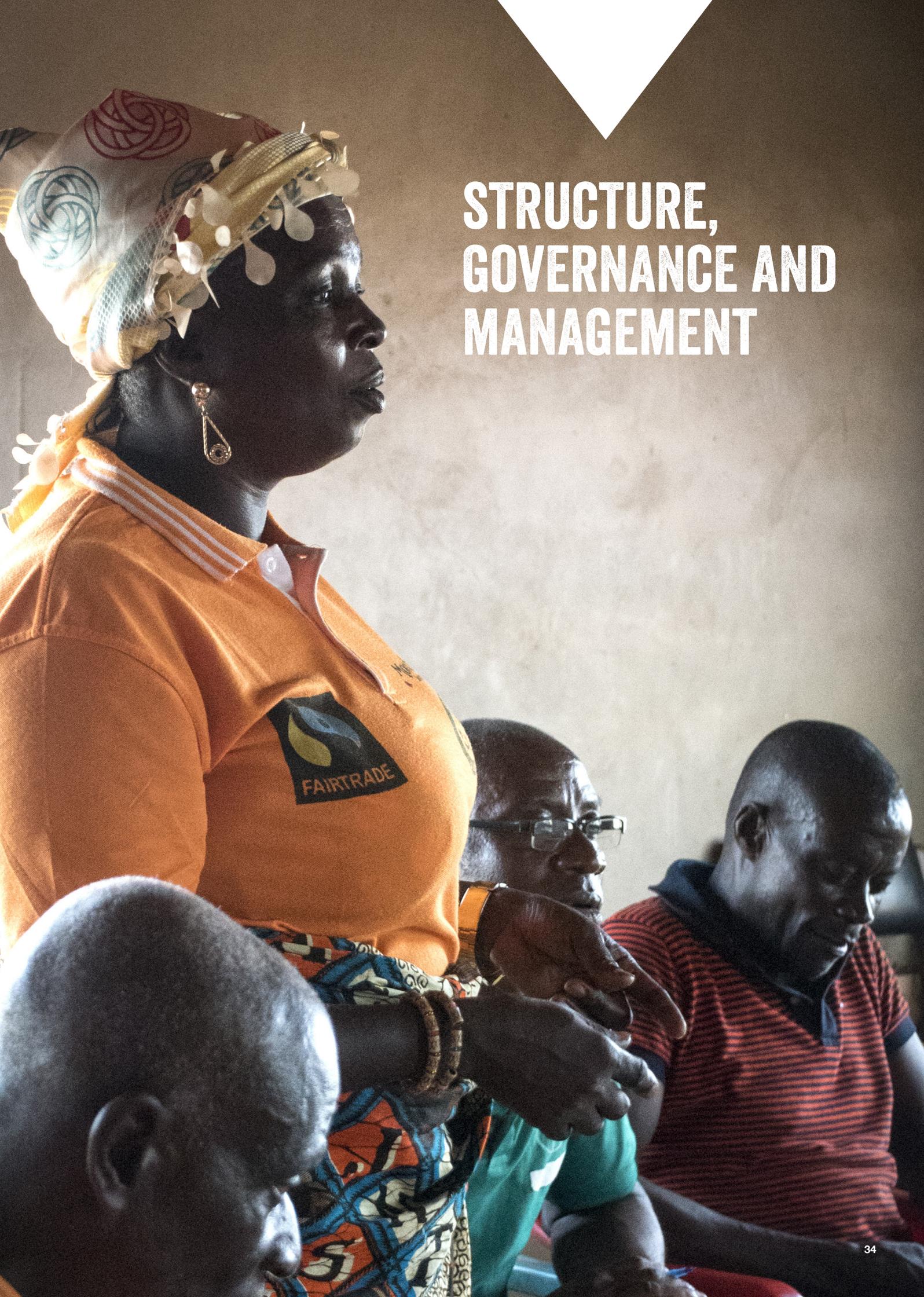
Brexit – this presents risks for Fairtrade and there will be continued uncertainty for the foreseeable future. Income for both producers and workers and the Foundation could be affected by companies switching their sourcing arrangements, ending long-term relationships with suppliers; the burden of increased tariffs and other costs being pushed down onto producers and workers (ie lower purchasing prices, lower wages); currency devaluation hitting Fairtrade companies

importing from developing countries and companies stepping back from Fairtrade commitments resulting in smaller volumes being bought on Fairtrade terms, less Fairtrade influence on issues such as living wages, and less investment in programmes. Our policy and advocacy team are working hard to raise issues in the appropriate governmental forums to protect producers and workers from the risks arising out of Brexit.

Increases to the cocoa Fairtrade Minimum Price and Premium – following a lengthy consultation process across the cocoa supply chain with Fairtrade farmers, traders, manufacturers and chocolate brands, the cocoa Fairtrade Minimum Price and Premium will be increased by 20 percent on 1 October 2019. The challenges in the West African cocoa sector are huge, with a Fairtrade study in April 2018 showing that 58 percent of Fairtrade certified cocoa farming households in Côte d'Ivoire had incomes below the extreme poverty line. The new Fairtrade Minimum Price will allow average Fairtrade cocoa-growing households to earn above the extreme poverty line. This increase will have a financial impact on chocolate brands but will be a huge step towards a sustainable income for farmers and producers, and highlights the importance of continuing to build strong partnerships, developing innovative ways of working, demonstrating the impact of Fairtrade on the ground and advocating for change to consumers and government with our She Deserves a Living Income campaign.

Governance and structure – the Fairtrade movement is made up of a number of organisations across the world, representing different needs and perspectives. This leads to a richness and depth of knowledge; for example, giving producer organisations a voice to lead the future of Fairtrade. It also naturally increases the risk that changes become difficult to make or decision-making too complicated. However, this is mitigated through various cross-movement groups, including representatives of the movement's organisations.

Reputation – although the Foundation is 25 years old in 2019, Fairtrade is still a relatively new and bold approach to tackling poverty and therefore there are rightly regular investigations into its effectiveness. Fairtrade will continue to prioritise investment in Monitoring, Evaluation and Learning work to ensure that Fairtrade is able to make accurate claims of success, learns from experience, is open and constructive when challenges are brought to light, and continues improving to maximise impact for producers and workers. We have a supply chain risk management process which enables us to monitor risks in supply chains, working closely with our producer networks. We are working internationally across the Fairtrade global system to address how we position Fairtrade in the market and leverage the fact that Fairtrade is the most recognised ethical scheme in the UK.

A photograph of a group of people, likely in a meeting or training session. In the foreground, a woman is shown in profile, wearing a white headscarf with colorful patterns and a bright orange polo shirt. The shirt features a logo with a green leaf and the word 'FAIRTRADE' in black. She is looking towards the right. Behind her, two men are visible, one wearing glasses and a green shirt, and another in a red and black striped shirt. The background is a plain, light-colored wall. The overall lighting is soft, and the composition is a medium shot.

STRUCTURE, GOVERNANCE AND MANAGEMENT

THE ORGANISATION OF THE CHARITY

The Fairtrade Foundation is a company limited by guarantee and a charity registered in England and Wales. It is governed by its Memorandum and Articles of Association as adopted on 2 July 1992 and subsequently amended in January 1994, May 2003, July 2006, June 2007, October 2012 and January 2017. The organisation was founded in 1992 by CAFOD, Christian Aid, Oxfam, Traidcraft Exchange and the World Development Movement. The National Federation of Women's Institutes joined shortly afterwards. These organisations are known collectively as the Founder Members. In 2003, membership was opened up to enable other organisations to participate in the governance of the Foundation and to share their expertise and experience. Organisations applying for membership are expected to have either a strong development or consumer focus, and to contribute to the promotion of Fairtrade. A full list of member organisations is given on page 58.

TRUSTEE APPOINTMENT AND INDUCTION

The Board can comprise up to 12 Trustees who are appointed by the process determined by the Articles of Association. Up to two positions are available to be elected by the full membership and a further four positions available for appointment from the full membership. Two co-opted places are allocated to producer representatives and a further four places are co-opted by the Board. Formal elections take place at the annual general meeting where one third of the elected Board stand down by rotation. Elected Board members have the power to co-opt further Trustees so long as the total number of Trustees does not exceed 12. All Trustees are elected or co-opted for a three-year term with those co-opted subject to a six-month initial probationary period. Trustees can serve for up to six years before they are required to stand down. After a period of one year, Trustees become eligible for re-appointment again. Trustees review the existing skills and identify key skill gaps as part of drawing up the specification for co-opting potential Trustees. The Foundation advertises externally to attract a full range of candidates.

All new Trustees receive an induction pack which contains information on the history of the organisation, governance and operational structures, minutes of Trustee meetings for the previous year, relevant budgets and accounts, and Charity Commission publications on Trustee responsibilities. In addition, Trustees are invited to staff induction days and a wide range of events, for example during Fairtrade Fortnight and other promotional events, licensee meetings and stakeholder events. Should the appropriate opportunity arise, Trustees may visit producer groups to see first-hand the impact of Fairtrade. The Board conducts an annual review of its performance including a survey of Trustees. This helps Trustees identify and assess the areas of governance that perform well and where improvements may be needed, and to review and consider the skills mix of the board and sub-committees.

TRUSTEE MEETINGS AND BOARD SUB-COMMITTEES

The Board meets at least four times a year and has overall responsibility for the policy and strategic management of the Foundation. The main tasks of the Board are:

- Setting and maintaining the Foundation's vision, mission and values and in particular agreeing and approving the strategic plan.
- Ensuring strong links with the member organisations and the Fairtrade movement.
- Contributing creatively to the development of the Foundation, including fostering relationships with major licensees.
- Developing the Foundation's policies on trade justice and other means of poverty reduction related to the Foundation's core activity.
- Agreeing and monitoring major policies and programmes.
- Supporting and appraising the Chief Executive, and approving staffing and remuneration policies.
- Approving annual plans and budgets; and reviewing reports and management accounts to ensure that the Foundation's performance is in line with its policies and programmes.
- Ensuring that it is identifying and managing any risks appropriately. The Board has four sub-committees: the Finance and Audit Committee, Nominations Committee, Partnerships Committee and Remuneration Committee.

The Finance and Audit Committee consists of between three and five Trustees, and meets a minimum of four times a year.

Duties include the following:

- Considering strategic issues, including planning and risk.
- Reviewing drafts of financial policies, budgets and annual account.
- Reviewing the management accounts and statutory accounts.
- Monitoring the development, implementation and compliance of IT and Finance strategy and policies.
- Monitoring and advising on internal financial controls.

These functions and activities do not absolve the full Board of Trustees of its legal responsibilities.

The Nominations Committee consists of the Vice-Chair of the Board, and at least two further Trustees of the Board, who are approved by the Board. Its key responsibility is to manage the appointment of Trustees and members to the Board and its constituent committees respectively.

The Remuneration Committee consists of four Board members and has overall responsibility to set remuneration, with associated terms and conditions of employment, for all staff of the organisation, including directors.

The Partnerships Committee consists of three Board

members plus two external advisory members and advises the management on any partnership opportunities the Foundation has under consideration.

Minutes of all Committee meetings are reported to the subsequent full Board meeting so that all Trustees are informed of significant issues discussed at a sub-committee level.

We disbanded the Fairtrade Foundation Oversight Committee at the end of 2018, as its primary role was to oversee certification decisions. This is no longer necessary after the transition of UK Fairtrade certification services to FLOCERT (Fairtrade's independent certifier).

OPERATIONAL MANAGEMENT

A scheme of delegation is in place which devolves day-to-day operational management of the Foundation to the Chief Executive, who is supported by a senior management team consisting of a Chief Financial Officer, Commercial Director, Director of Public Engagement and Director of Impact.

REMUNERATION

The Fairtrade Foundation is a unionised organisation and we recognise the Union for collective bargaining. The charity negotiates annually with the Union on salary and remuneration terms and conditions. The suggested pay award is ratified by the Remuneration Committee. The Foundation uses the Croner Job Evaluation system for benchmarking to set grades and associated pay scales for all posts, which includes all directors' posts. We aspire to pay at least median market rate for all grades, and these are benchmarked against similar size and type of organisations, comparing to both sector and financial turnover. We ensure that our highest salary is no more than five times more than the lowest salary. Some technical specialists can command a market premium. A market premium is only considered if there have been recruitment and/or retention difficulties and benchmark data from Croner confirms the need for a market premium. The decision to pay a market premium is approved by the Remuneration Committee. The Foundation is undertaking a pay policy review which is due for completion by the end of 2019.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees are responsible for preparing the report of the Trustees, the strategic report and the financial statements in accordance with applicable law and regulations. Company law requires the Trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards) and applicable law. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its net incoming/outgoing resources for that period. In preparing these financial statements, the Trustees are required to:

- Select suitable accounting policies and then apply them consistently.
- Observe the methods and principles in the Charities SORP.
- Make judgments and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue to operate.

The Trustees are responsible for keeping proper accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

FUNDRAISING

We comply with all relevant statutory regulations and we strive for best practice in fundraising by complying with a range of codes of practice and standards including being a member of the Institute of Fundraising and registering with the Fundraising Regulator, and adhering to its Code of Fundraising Practice. We do not engage with any professional fundraisers nor any other commercial participator to fundraise on our behalf. We closely monitor the quality of our fundraising work and received no complaints during 2018.

Our fundraising approaches have historically been limited – mainly focused on donations from existing supporters, schools and volunteer groups. In 2018, we launched our first general appeal during Fairtrade Fortnight 2018, which was positive. In 2019, we plan to launch a committed giving scheme to offer supporters another way to be part of the Fairtrade movement. We also continue to work with data protection experts and consultants to ensure that we have an unbiased public-facing approach in how we respect people's privacy and their preferences. This includes safeguards to preclude us requesting or receiving donations from vulnerable people.

PUBLIC BENEFIT

The Trustees confirm that they have complied with their duty in Section 17 of the Charities Act 2011 to have due regard to the public benefit guidance published by the Charity Commission for England and Wales. The Trustees further confirm that the activities of the Fairtrade Foundation are carried out, in line with its objects, for the public benefit as described in this report.

CHARITY GOVERNANCE CODE

The Fairtrade Foundation takes its governance responsibilities seriously and aims to have a governance framework that is fit for purpose, compliant and efficient. In 2017 the new Charity Governance Code was launched, with a recommendation that charities review their level of application and to explain any aspects of the code they were not applying.

We are materially compliant with the code and there are no significant issues or areas where we do not comply. At the time of writing we were conducting an external benchmarking against the Governance Code, carried out by the NCVO.

SAFEGUARDING

Safeguarding means protecting peoples' health, wellbeing and human rights, and enabling them to live free from significant harm, abuse, neglect, emotional abuse, and exploitation of any kind, including consequences of any misuse of personal data. We work to ensure we are protecting children and vulnerable adults from harm that arises from coming into contact with our staff, associated personnel or programmatic work on the ground. We work with Fairtrade International through their Protection Policy and Procedures for Children and Vulnerable Adults to act to protect any person from abuse, exploitation and neglect occurring in Fairtrade operations system wide.

We are committed to the protection of people from abuse, exploitation and neglect, and we always take immediate action to follow up on a concern or an allegation about a person's safety and well-being. We are committed to supporting children's rights to survival, development, protection, and participation. Similarly, we also are committed to protecting vulnerable adults from significant harm as defined in Fairtrade Standards relating to Forced Labour, Gender Based Violence and Harassment. We believe that protection of children and vulnerable adults is both a corporate and an individual responsibility, and every person who undertakes and/or shares in the work of the Foundation also shares in the responsibility to take every precaution to protect the children and vulnerable adults we directly or indirectly serve.

The Foundation has Safeguarding focal points who monitor safeguarding concerns throughout the organisation and ensure that we have taken appropriate action to keep people safe.

During 2018 we created a specific Protection & Safeguarding Policy and Code of Conduct in the UK. A member of the board was chosen as Safeguarding lead and it was agreed that Safeguarding would be a standing item at future board meetings. All staff and trustees have received safeguarding training, safeguarding is part of staff induction and safeguarding is embedded into the start of any new donor funded programme with our partners. We will be working with our commercial partners to ensure they also have policies and procedures in place. Our own policies and procedures have been reviewed by the Charity Commission and no issues were found.

Internationally, we are supporting the development of a system-wide Fairtrade Global Organisation Code and its associated assurance framework, policies and guidance manual. The code will be implemented following the Fairtrade International General Assembly in July 2019. We already have the majority

of the recommended policies and procedures in place and will be working with Fairtrade International's Ethics and Compliance Manager to map our policies against those required and complete any gaps.

STATEMENT AS TO DISCLOSURE TO AUDITORS

So far as each Trustee is aware, there is no relevant audit information of which the company's auditors are unaware, and each Trustee has taken all the steps that he or she ought to have taken as a company director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

DIVERSITY

The Fairtrade Foundation is proud to be a Living Wage Employer and an equal opportunities employer, committed to attracting and appointing a diverse workforce, and aims to have a workforce that is representative of all sections of society. We're focusing on improving all aspects of the People Agenda including Diversity and Inclusion. 60 percent of our most senior leadership are female.

ACKNOWLEDGEMENTS

The success of Fairtrade is due to the commitment and dedication of all the stakeholders in the Foundation's work – the producers, consumers, licensees and retail partners, the grassroots campaigners and supporters, staff and volunteers. We particularly thank our volunteers and celebrities for the time they freely give to promote Fairtrade. Campaigners provide invaluable support to the Foundation. They run events to promote knowledge of the FAIRTRADE Mark. Fairtrade Fortnight and other events also depend heavily on the input of many volunteers. A total of 48 volunteers helped in the Fairtrade office or remotely at some time during the year, and gave 6,339 hours to the organisation.

TRUSTEE CHANGES

Michael Jary, Paul Farthing, Becca Rowland and Barney Tallack stood down as Trustees since the last report. During 2018, Marike de Peña, Lord Mark Price, David Paterson and Simon Wright were appointed to the Board.

This report, including the strategic report, was approved by the Trustees of the Fairtrade Foundation on 27 June 2019, in their capacity as company directors, and signed on its behalf by



Lord Mark Price,
Chair of Trustees

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE FAIRTRADE FOUNDATION



OPINION

We have audited the financial statements of the Fairtrade Foundation for the year ended 31 December 2018 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

IN OUR OPINION THE FINANCIAL STATEMENTS:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2018 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

The Trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion based on the work undertaken in the course of our audit:

- Information given in the Trustees' report, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the Trustees' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the Trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF TRUSTEES

As explained more fully in the trustees' responsibilities statement, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Tim Redwood
Senior Statutory Auditor

2 July 2019

For and on behalf of
Crowe U.K. LLP
Statutory Auditor

St Bride's House
10 Salisbury Square
London, EC4Y 8EH

The Fairtrade Foundation
Statement of Financial Activities for the year ended 31 December 2018
(including the Income and Expenditure Account)

	Notes	2018 Unrestricted £000	2018 Restricted £000	2018 Total £000	2017 Total £000
Income from:					
Donations and legacies	2	127	8	135	114
Grants	4	-	891	891	1,005
Investment income		1	-	1	0
Charitable activities					
Licence fees		10,222	-	10,222	10,387
Partnership and other income	5	841	118	959	855
Total income		11,191	1,017	12,208	12,361
Expenditure on:					
Raising funds	6	474	-	474	447
Charitable activities					
Focus on Impact		4,203	589	4,792	4,790
Improve and Innovate		3,027	109	3,136	3,309
Make Fairtrade Personal		2,528	298	2,826	3,007
Total charitable activities		9,758	996	10,754	11,106
Total expenditure		10,232	996	11,228	11,553
Net income/(expenditure), being net movement in funds	9	959	21	980	808
Reconciliation of funds:					
Fund balances brought forward		3,889	756	4,645	3,837
Fund balances carried forward	17	4,848	777	5,625	4,645

The breakdown of 2017 figures between restricted and unrestricted funds is shown in Note 19.

There were no recognised gains or losses for 2018 or 2017 other than those included in the Statement of Financial Activities. All activities are continuing. The Notes on pages 43 to 56 form part of these financial statements.

The Fairtrade Foundation
Balance Sheet as at 31 December 2018

Notes		2018	2017
		£000	£000
Fixed assets			
Intangible assets	11	126	210
Tangible assets	12	268	3
Current assets			
Stock		11	12
Debtors	13	4,511	5,440
Cash at bank and in hand		3,472	2,660
Cash at bank – held as agent		3	293
Total current assets		7,997	8,405
Liabilities			
Creditors: amounts falling due within one year	14	(1,859)	(3,589)
Net current assets		6,138	4,816
Total assets less current liabilities			
Creditors: amounts falling due after one year	14	(158)	-
Provision for liabilities and charges	15	(749)	(384)
Net assets		5,625	4,645
The funds of the charity:			
Unrestricted funds	17	4,848	3,889
Restricted funds		777	756
Total funds		5,625	4,645

The financial statements, including the balance sheet, were approved and authorised for issue by the Board of Trustees on 27 June 2019, and were signed below on its behalf by

Mark Price
Chair of the Board
Company number: 2733136
27 June 2019



Fairtrade Foundation
Statement of cash flows for the year to 31 December 2018

Notes		2018	2017
		£000	£000
Cash flows from operating activities			
Net cash provided by operating activities	20	885	1,442
Cash flows from investing activities			
Purchase of property, plant and equipment		(363)	(36)
Change in cash and cash equivalents in the year		522	1,406
Cash and cash equivalents at 1 January	20	2,953	1,547
Cash and cash equivalents at 31 December	20	3,475	2,953

Fairtrade Foundation

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies

1.1 Company information

The Fairtrade Foundation is a Public Benefit Entity registered as a charity in England and Wales and a company limited by guarantee. It was incorporated on 21 July 1992 (company number: 2733136) and registered as a charity on 3 February 1995 (charity number: 1043886).

1.2 Basis of preparation of accounts

The financial statements have been prepared under the historical cost convention in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102), the Companies Act 2006 and the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) – effective 1 January 2015.

The functional currency of the Foundation is considered to be GBP because that is the currency of the primary economic environment in which the Foundation operates.

After reviewing the Foundation's forecasts and projections, the Trustees have a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future. The Foundation therefore continues to adopt the going concern basis in preparing its consolidated financial statements. There are no material uncertainties about the charity's ability to continue.

In the application of these accounting policies, Trustees are required to make judgement, estimates, and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affected current and future periods.

In the view of the Trustees, no assumptions concerning the future or estimation uncertainty affecting assets or liabilities at the Balance Sheet date are likely to result in a material adjustment to their carrying amounts in the next financial year.

1.3 Fund accounting

Restricted funds arise from grants and donations given to the Fairtrade Foundation for specific areas and activities of the Foundation's work in furthering its objectives. The aim and use of each material restricted fund is set out in note 17.

Unrestricted funds include the general funds of the Foundation (including fixed assets) and arise from surpluses of income over expenditure which may be used at the discretion of the Trustees in accordance with the objectives of the charity.

1.4 Income

All income is included in the Statement of Financial Activities (SOFA) when the charity is legally entitled to the income, receipt is probable and the income can be measured with sufficient reliability.

The Foundation receives **licence fees** from companies marketing products carrying the Foundation's FAIRTRADE Mark which means producers and businesses have met internationally agreed standards which have been independently certified. The fees contribute to the costs of work to increase our impact in the global south by increasing the volume of commodities sold on Fairtrade terms, increasing the number of farmers and workers who benefit from work on climate change, gender, productivity and hired labour and the costs of public education and awareness raising work. Fees are either calculated as a percentage of the products' wholesale value or based on the volume of the Fairtrade commodity sold, and are largely invoiced quarterly in arrears. Licence fee is recognised in the period the sale is made by the licensee. Monitoring and auditing of all UK licensees in 2018 was undertaken directly by FLOCERT.

Donations and grants will be recognised on a receivable basis, where there are no performance-related conditions, where the receipt is probable and the amount can be reliably measured.

Partnership and other income is included as earned in line with the satisfaction of the contract and underlying services.

1.5 Expenditure

All expenditure is included on an accruals basis. All costs have been attributed to one of the categories of resources expended in the Statement of Financial Activities and include a proportion of the support costs as detailed in Note 6. Support costs have been apportioned based on the number of staff engaged in each activity and all other costs have been apportioned based on the staffing costs of each activity in order to reflect the demands each activity makes on central support resources.

Governance costs are included within support costs. They include costs attributable to the governance of the charity and those relating to compliance with constitutional and statutory requirements. The costs associated with the additional support provided to Fairtrade International towards developing and improving governance across the Fairtrade movement is also included in this category of expenditure.

Raising funds includes all costs incurred in raising funds from, and reporting back to, government, the European Commission, charitable trusts and foundations, and individual donors.

Costs of charitable activities include all costs incurred in seeking to achieve the charity's charitable purposes.

Focus on Impact includes the cost of establishing and supporting supply chains, and support provided directly to producer groups and their regional networks.

Improve and Innovate includes the monitoring and audit of supply chains of products which are licensed to carry the FAIRTRADE Mark, both in the UK and internationally, establishing and maintaining licence agreements and relationships with companies producing and distributing Fairtrade products, and the cost of exploring new markets and ways of working in order to deepen our impact for producers.

Make Fairtrade Personal includes the activities funded to promote knowledge and awareness of the FAIRTRADE Mark and the need for Fairtrade in the interests of disadvantaged producers. It aims to deepen the emotional commitment to Fairtrade, and to our mission of fighting poverty through trade.

1.6 Intangible fixed assets

Intangible fixed assets represent software costs capitalised in accordance with FRS102. These are stated at historical cost and amortised on a straight line basis over the period for which revenue is expected to be generated (typically four years).

Depreciation is recognised in the Statement of Financial Activities as part of expenditure and is allocated across the expenditure headings on the same basis as support costs.

1.7 Fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Assets are included where the cost exceeds £1,000.

Depreciation is provided at 20% or 25% (depending on the nature of the asset) in order to write off the cost of fixed assets over their useful lives on a straight line basis. A full year of depreciation is taken in the year of acquisition.

Amortisation is recognised in the Statement of Financial Activities as part of expenditure and is allocated across the expenditure headings on the same basis as support costs.

1.8 Stock

Stock of merchandise is included in the accounts at the lower of cost and net realisable value.

1.9 Pensions

All staff employed by the Fairtrade Foundation are eligible for membership of a defined contribution group personal pension plan.

The scheme is contributory (the Foundation pays up to 10 percent of salary depending on the level of the staff member's contribution). Pension contributions are charged to the Statement of Financial Activities in the period to which they relate. Further details are provided in Note 23.

1.10 Redundancy/termination payments

Redundancy and termination payments are accounted for in the period in which they are agreed or communicated with the other party.

1.11 Operating leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

1.12 Value Added Tax

The charity is registered for VAT. In common with many other registered charities, the Fairtrade Foundation is unable to fully recover input VAT. During the accounting period, the total irrecoverable VAT suffered by the charity was £60,000 (2017: £56,000).

This irrecoverable VAT is included in the appropriate categories of expenditure within the Statement of Financial Activities.

1.13 Taxation

The Fairtrade Foundation is a registered charity and, as such, is exempt from taxation on its income to the extent it is applied to its charitable purposes.

1.14 Foreign currency

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the Balance Sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling at the date of the transaction. Exchange differences are taken to the Statement of Financial Activities and recorded as a support cost.

1.15 Provisions

Provisions are recognised when the charity has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

1.16 Financial instruments

Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost using the effective interest method.

Financial assets held at amortised cost comprise cash at bank and in hand, together with trade and other debtors.

A specific provision is made for debts for which recoverability is in doubt.

Cash at bank and in hand is defined as all cash held in instant access bank accounts and used as working capital.

Financial liabilities held at amortised cost comprise all creditors except social security and other taxes and provisions.

Assets and liabilities held in foreign currency are translated to GBP at the balance sheet date at an appropriate year end exchange rate.

2 Donations and legacies

	Unrestricted £000	Restricted £000	2018 Total £000	2017 Total £000
Triodos Bank Fairtrade Saver Account	6	-	6	6
Other donations	121	8	129	108
Total donations	127	8	135	114

The Triodos Bank income is generated through the promotion of their Fairtrade Saver Account to individual savers. Triodos Bank donates the equivalent of 0.25 percent of the average balance of funds held in the year and the individual savers also have the opportunity to donate a portion or all of the interest earned on the account to the Foundation.

3 Use of volunteers

Additional resources were provided by 48 general unpaid volunteers who contributed a total of 6,339 hours of work in the year, and five seconded staff who were with us for up to six months each. Volunteers provided administrative support, policy, research, fundraising, media, marketing and campaigning support. These contributions are highly valued by the charity but, in line with the Charities SORP, are not recognised in the accounts due to difficulties in measuring their value.

4 Grants

	Unrestricted £000	Restricted £000	2018 Total £000	2017 Total £000
Other grants				
Comic Relief				
Gold I.M.P.A.C.T Programme	-	219	219	143
Department for International Development				
Responsible, Accountable and Transparent				
Enterprise (RATE) Programme	-	58	58	150
European Commission				
EC Trade Fair, Live Fair	-	298	298	286
Big Lottery Fund				
Growing Women in Coffee	-	7	7	157
Esmée Fairbairn Foundation	-	-	-	67
Jersey Overseas Aid Commission				
Sugar	-	27	27	72
Coffee	-	-	-	77
RVO				
Addressing Child Labour in ASM gold mines	-	-	-	23
TRAID				
Cotton Breeding Programme	-	30	30	30
The European Partnership for Responsible Minerals				
Responsible Kenyan Gold Project	-	119	119	-
The Genesis Charitable Trust				
Responsible Tanzanian Gold Project	-	50	50	-
Humanity United				
Fairsource for Fairtrade	-	79	79	-
Ethical Trading Initiative	-	4	4	-
Total grants	-	891	891	1,005

All grants in 2018 are restricted.

5 Partnership and other income

	Unrestricted £000	Restricted £000	2018 Total £000	2017 Total £000
Cross-border sales administration fees	248	-	248	228
Consultancy fees	72	-	72	79
Expertise and commercial partner-funded programmes	430	118	548	416
Other fees and royalties	72	-	72	108
Sale of awareness-raising items	19	-	19	24
Total partnership and other income from charitable activities	841	118	959	855

Cross-border sales administration fees: the Foundation invoices UK licensees for licence fees due on UK and non-UK sales. National Fairtrade Organisations outside the UK invoice the Foundation for the licence fee on non-UK sales less an administration fee.

6 Expenditure

	Direct staff costs £000	Other direct costs £000	Support costs £000	2018 Total £000	2017 Total £000
Raising funds	234	67	173	474	447
Charitable activities:					
Make Fairtrade Personal	1,251	648	927	2,826	3,007
Improve and Innovate	1,335	811	990	3,136	3,309
Focus on Impact	744	3,496	552	4,792	4,790
Total charitable activities	3,330	4,955	2,469	10,754	11,106
Total expenditure in 2018	3,564	5,022	2,642	11,228	11,553
Total expenditure in 2017	3,768	5,089	2,696	11,553	

Other direct costs and support costs include payments made to Fairtrade International eV, FLOCERT GmbH and other National Fairtrade Organisations around the world. Membership contributions of £2.0 million (2017: £2.0 million) support Fairtrade International's functions in setting the international framework and co-ordination of Fairtrade including the setting and development of Fairtrade Standards, supporting producers and traders to match supply and demand, and supporting smallholders and workers participating in Fairtrade.

Certification fees of £341,000 (2017: £231,000) are payable to FLOCERT, an independent certification company offering Fairtrade certification services.

Producer network contributions of £973,000 (2017: £825,000) are distributed to producer networks by Fairtrade International. Contributions of £241,000 (2017: £384,000) were made to the system-wide project fund to fund projects with a global benefit.

Other National Fairtrade Organisations invoice their non-UK licensees for licence fees due on UK and non-UK sales, and the Foundation invoices the National Fairtrade Organisations for the licence fees on UK sales less administration fees of £33,000 (2017: £44,000).

Support costs of £2.6 million (2017: £2.7 million) have been allocated across activities. Support costs have been apportioned based on the staffing costs of each activity in order to reflect the demands each activity makes on central support resources.

The breakdown of support costs by activity is shown below:

	2018 £000	2017 £000
Human resources	270	349
Finance	388	561
Information technology	426	413
Management and administration	165	273
Governance	89	79
Facilities	1,305	1,021
Total support costs	2,642	2,696

7 Grants payable to institutions

	SOFA heading	2018 £000	2017 £000
Fairtrade Ireland	Make Fairtrade Personal	-	26
Fairtrade Africa and other African partners	Focus on Impact	433	548
Network of Asia and Pacific Producers	Focus on Impact	19	21
CLAC	Focus on Impact	61	24
FLOCERT	Improve and Innovate	-	96
Total grants payable		513	714

We have a programmes guideline we follow when making grants to other organisations. We undergo a due diligence assessment of the organisations to ensure we have a reasonable level of assurance that they are suitable for us to engage with. A due diligence assessment form – covering ethical standards, labour practices and human rights, general risk factors (i.e. operational, financial and reputational risks), alignment to our values and our relationship with the organisation – is completed to ensure the organisation is right for us to engage with following a broad assessment. A Memorandum of Understanding or a grant agreement is put in place which sets out the purpose of the grant and the responsibilities of all relevant parties before the grant is paid.

The grants to Fairtrade Africa and other Africa partners are in relation to extending Fairtrade gold to East Africa, Growing Women in Coffee and supporting Fairtrade sugar.

The grant to Network of Asia and Pacific Producers is in relation to the Cotton Breeding Programme.

The grant to the CLAC was in relation to banana and coffee projects.

See note 17 for further details.

Support costs of £66,000 (2017: £130,000) have been allocated to grant-making activities.

8 Governance costs

Activities to enable the Foundation to function as a registered charity and a company registered in England and Wales include:

	2018 £000	2017 £000
Trustee expenses	8	6
Fees payable to charity's auditors for the audit of the charity's annual accounts	18	17
Other governance costs	29	22
Staff costs	34	33
Total costs	89	78

No remuneration was paid to Trustees in the year (2017: nil).

Trustee expenses relate to travel expenses reimbursed for attendance at board and sub-committee meetings, other meetings at the Foundation and external events to represent the Foundation. £8,000 (2017: £6,000) was reimbursed to 8 Trustees (2017: 7 Trustees). The Foundation meets the airfare, hotel and subsistence costs of the producer representatives while they are in the UK attending board meetings.

9 Net income/expenditure)

Net income/(expenditure) is stated after charging:

	2018 £000	2017 £000
Depreciation of fixed assets	182	183
Fees payable to charity's auditors for the audit of the annual accounts for the current year	18	17
Fees payable to charity's auditors for other accountancy services	1	5
Operating lease rentals and service charge: land and buildings	556	656

10 Staff costs

	2018 £000	2017 £000
Wages and salaries	3,552	3,535
Employer's National Insurance costs	360	363
Employer's contribution to defined contribution pension schemes	300	311
Agency staff	127	121
Staff costs	4,339	4,330
Staff recruitment costs	49	60

Number of employees whose emoluments excluding National Insurance contributions and employer pension costs, fell within the band:

	2018	2017
£70,000 - £79,999	2	1
£80,000 - £89,999	2	1
£90,000 - £99,999	-	1
£100,000 - £109,999	1	-

The Foundation's highest salary was four times the lowest salary during 2018, in line with our policy to ensure the highest salary is no more than five times the lowest salary.

Contributions in the year for the provision of defined contribution pension schemes to higher paid staff were £34,000 (2017: £24,000).

The senior management team comprised the Chief Executive, the Chief Financial Officer, the Director of Public Engagement, the Commercial Director and the Director of Impact. The total employee benefits of key management personnel of the charity were £502,000 (2017: £460,000).

Average headcount in 2018 was 91 (2017: 92).

Redundancy/termination payments agreed and paid in the year came to £2,000 (2017: £215,000).

11 Intangible fixed assets

	Software and website £000
Cost at 1 January 2018	897
Additions	24
Disposals	-
At 31 December 2018	921
Amortisation at 1 January 2018	687
Charge for period	108
Disposals	-
At 31 December 2018	795
Net book value at 1 January 2018	210
Net book value at 31 December 2018	126

12 Tangible fixed assets

	Office equipment £000	Fixtures and fittings £000	Total £000
Cost at 1 January 2018	86	242	328
Additions	61	278	339
Disposals	(49)	(242)	(291)
At 31 December 2018	98	278	376
Depreciation at 1 January 2018	83	242	325
Charge for period	17	57	74
Disposals	(49)	(242)	(291)
At 31 December 2018	51	57	108
Net book value at 1 January 2018	3	-	3
Net book value at 31 December 2018	47	221	268

13 Debtors

	2018 £000	2017 £000
Licence fee debtors	2,951	2,443
Accrued licence fee	1,193	1,980
Amounts due from Fairtrade International and other Fairtrade organisations	53	222
Prepayments, accrued income and other debtors	314	795
Total debtors due within one year	4,511	5,440

14 Creditors

	2018	2017
Creditors: amounts falling due within one year	£000	£000
Trade creditors	237	125
Amounts due to Fairtrade International and other Fairtrade organisations	406	1,391
Amount held as agent for system-wide projects	7	572
Social security and other taxes	485	806
Other accruals	724	695
Total creditors due within one year	1,859	3,589

During 2015 the Foundation started acting as an agent for other National Fairtrade Organisations by holding funds for use on system-wide projects on their behalf. This ended at the start of 2018 and the Foundation no longer acts as agent for the system-wide projects fund. The balance held at 31 December 2018 was £7,000 (2017: £572,000).

	2018	2017
Creditors: amounts falling due after one year	£000	£000
Accruals	158	-
Total creditors due after one year	158	-

15 Provision for liabilities and charges

	Provision at 1 Jan 2018 £000	Charged to SOFA to SOFA £000	Provision released £000	Provision at 31 Dec 2018 £000
Dilapidations	384	365	-	749
Total provision	384	365	-	749

The provision relates to the office lease dilapidations clause. Our lease in our old premises ended in 2018 and settlement has yet to be reached. The lease under our current premises ends in 2028 with a break in 2023 allowed, so any payments under this provision are expected to be incurred in either 2023 or 2028.

16 Financial instruments

	2018	2017
	£000	£000
Financial assets measured at amortised cost	7,852	8,136
Financial liabilities measured at amortised cost	1,373	2,782

17 Fund movements

	Funds at 1 January 2018 £000	Income £000	Expenditure £000	Transfers between funds £000	Funds at 31 December 2018 £000
Restricted funds					
Focus on Impact					
Gold I.M.P.A.C.T Programme	147	219	(241)	-	125
Improved ASMO Access to Finance	-	119	(105)	-	14
Responsible Tanzanian Gold Project	-	50	-	-	50
Growing Women in Coffee	9	15	(24)	-	-
Swaziland sugar project	12	27	(22)	-	17
Bolivia coffee project	53	-	(63)	-	(10)
Cotton Breeding Programme	9	30	(25)	-	14
Gold project Uganda	23	-	(13)	-	10
Producer support	4	-	(4)	-	-
Strengthening Sugar Farmers in Southern Africa	224	-	(24)	-	200
Comparative analysis of progress towards gender equity	-	4	(4)	-	-
Commercial Partners Sponsored Programmes	1	115	(65)	-	51
Total	482	579	(590)	-	471
Improve and Innovate					
Responsible, Accountable and Transparent Enterprise (RATE) Programme	-	58	(58)	-	-
Fairsource for Fairtrade	-	79	(47)	-	32
Climate change and organisational strengthening scoping project	-	3	(3)	-	-
Total	-	140	(108)	-	32
Make Fairtrade Personal					
EC Trade Fair, Live Fair	222	298	(250)	-	270
Esmée Fairbairn Foundation	52	-	(48)	-	4
Total	274	298	(298)	-	274
Total restricted funds	756	1,017	(996)	-	777
Total unrestricted funds	3,889	11,191	(10,232)	-	4,848
Total funds	4,645	12,208	(11,228)	-	5,625

Description of funds

Restricted funds

Gold I.M.P.A.C.T Programme

Fairtrade's I.M.P.A.C.T Programme (Investment in Miners Potential through access to Capital and Transparent Markets) started in 2017 and is funded by Comic Relief. This programme built on the success of the 'Extending Fairtrade Gold to East Africa' Programme and seeks to support small-scale mining sites to access finance to invest in clean mining equipment and, additionally, to access export markets on improved terms of trade. The programme will last for four years and reach communities in Kenya, Uganda and Tanzania.

Tackling the challenges in Artisanal and Small-Scale gold mines

This project, funded by the Dutch government, aims to tackle child labour in Artisanal and Small-Scale Mining. The project will be looking to change existing attitudes to using children in the gold mining process through education and an emphasis on the economic benefits of a different approach. Our project work in Uganda is supporting mining communities to improve the environmental footprint of their mining activities and to tackle a range of social issues, including child labour. Core activities include supporting mines sites to access finance to invest in cleaner, more efficient mining equipment which will reduce their reliance on harmful chemicals and increase the productivity of mining. In partnership with other organisations, including UNICEF, we are also supporting work at the community level to open up opportunities for young people away from mining, including supporting children into a quality school education.

Gold, funded by The Genesis Charitable Trust

Fairtrade are working with a selection of gold mine sites in the Geita Region of Tanzania, to support groups to access finance, technical support and, in time, international markets. The project is a three-year initiative and part of Fairtrade's wider Lake Victoria Gold Programme.

Swaziland sugar project

This is funding provided by the Jersey Overseas Aid Commission to build markets and climate resilience for sugar farmers in Swaziland.

Bolivia coffee project

This is funding provided by the Jersey Overseas Aid Commission aimed at building better farming practices and beating coffee diseases with Bolivian coffee farmers. The objective is to carry out an urgent programme of technical assistance to reverse a 60-80 percent decline in the yield of coffee cherry, not through a one-off intervention but by providing the co-operative with the skills and resources they need to achieve economic and environmental self-sufficiency in the face of severe challenges.

Producer support

We supported a range of small-scale projects in partnership with pioneer businesses, to roll out innovations which deepen impact for farmers and their communities.

Growing Women in Coffee

The Growing Women in Coffee project is working with small producer organisations in west Kenya; supporting women into income-earning roles and developing a market for their coffee. 2018 saw women benefit from the construction of additional biogas technology with the support of funding from the Jersey Overseas Aid Commission, while assistance from the Big Lottery Fund continued to support women towards developing an independent coffee brand for sale in local and international markets.

Cotton Breeding Programme

This funding is provided by TRAIID for a breeding programme for non-GM cotton seeds for 1,500 farmers in Madhya Pradesh, India.

Gold project Uganda

This project is funded by RVO in partnership with UNICEF, Solidaridad, Fairphone, Philips and others, Fairtrade are working to support improved conditions among gold mining sites and communities in the Busia region of Uganda. The project – through a range of community and mine-level interventions – seeks to eliminate child labour from mining environments and to support technology businesses to fold in responsibly mined gold into their supply chains.

Strengthening sugar farmers in Southern Africa

This project in Southern Africa aims to build resilience and deepen impact for Fairtrade sugar cane farmers, co-operatives and their communities.

Commercial partner programmes

Corporate partners have invested in many programmes, for example, Waitrose & Partners have invested in a living income programme in their Fairtrade banana supply chains in Dominican Republic and Co-op have invested in CLAC's Production Increase Programme (PiP) in Fairtrade banana producer organisations and Health in Fields program in Fairtrade coffee producer organisations.

Comparative analysis of progress towards gender equity

This funding from the Ethical Trading Initiative was to compare and analyse work that has delivered improvements in women's employment and empowerment in flowers and tea and map progress in bananas, to understand drivers of sustained change and inform company action to mitigate risk.

Responsible, Accountable and Transparent Enterprise (RATE) Programme

This grant from DFID funds the development of a supply chain mapping digital platform to drive positive social impact for farmer and worker communities through responsible business and consumer behaviour.

Fairsorce for Fairtrade

This grant from Humanity United is to support the strengthening of a data ecosystem in Fairtrade supply chains, deliver information and insight to drive positive social impact for farmer and worker communities through responsible business behaviour. This will also generate learnings about the best way to implement transparency in supply chains to empower farmers and workers.

EC Trade Fair, Live Fair

This project aims to raise awareness and mobilise the European public to advance consumption patterns that nurture the Sustainable Development Goals (SDGs). It is a joint project between fair trade and ethical fashion movements across Europe to join forces in order to foster more resilient livelihoods for the producers and workers behind many of the products that European citizens consume.

Esmée Fairbairn Foundation

In 2015, the Fairtrade Foundation commenced a three-year project funding partnership with Esmée Fairbairn. The supported work deals with the extension of the mandate of the Groceries Code Adjudicator to help prevent Unfair Trading Practices from persisting in the UK and EU trade context. Also supported is work to influence the Competition and Markets Authority to increase recognition of ethical considerations as part of the definition of consumer interest. Additional to this support for advocacy and policy work, Esmée Fairbairn has agreed to support the Fairtrade Foundation's campaigning efforts, namely the producer tour, which brings four Fairtrade farmers on a tour of the UK's vibrant supporter communities.

Below is the prior year comparison of the fund movement in 2017

	Funds at 1 January 2017 £000	Income £000	Expenditure £000	Transfers between funds £000	Funds at 31 December 2017 £000
Restricted funds					
Focus on Impact					
Gold I.M.P.A.C.T Programme	185	143	(181)	-	147
Swaziland sugar project	63	72	(123)	-	12
Bolivia coffee project	-	77	(24)	-	53
Producer support	4	-	-	-	4
Growing Women in Coffee	(3)	160	(148)	-	9
Haiti disaster relief appeal	5	24	(29)	-	-
Cotton Breeding Programme	-	30	(21)	-	9
Strengthening sugar farmers in southern Africa	-	224	-	-	224
Commercial partner-sponsored programmes	-	141	(140)	-	1
Addressing child labour in ASM gold mines	-	23	-	-	23
Total	254	894	(666)	-	482
Improve and Innovate					
Responsible, Accountable and Transparent Enterprise (RATE) Programme	-	150	(150)	-	-
Climate change and organisational strengthening scoping project	-	52	(52)	-	-
Total	-	202	(202)	-	-
Make Fairtrade Personal					
EC Trade Fair, Live Fair	-	286	(64)	-	222
Advocacy	50	-	(50)	-	-
Esmée Fairbairn Foundation	35	66	(49)	-	52
Total	85	352	(163)	-	274
Total restricted funds	339	1,448	(1,031)	-	756
Unrestricted funds	3,498	10,914	(10,523)	-	3,889
Total funds	3,837	12,362	(11,554)	-	4,645

18 Analysis of fund balances held as at 31 December 2018

	General £000	Restricted £000	Total £000
Intangible fixed assets	126	-	126
Tangible fixed assets	268	-	268
Current assets	7,220	777	7,997
Current liabilities	(1,859)	-	(1,859)
Long-term liabilities	(158)	-	(158)
Provisions	(749)	-	(749)
Fund balance at 31 December 2018	4,848	777	5,625

A comparative of the analysis of fund balances held as at 31 December 2017 is as follows:

	General £000	Restricted £000	Total £000
Intangible fixed assets	210	-	210
Tangible fixed assets	3	-	3
Current assets	7,649	756	8,405
Current liabilities	(3,589)	-	(3,589)
Long-term liabilities	-	-	-
Provisions	(384)	-	(384)
Fund balance at 31 December 2017	3,889	756	4,645

19 Breakdown of 2017 Statement of Financial Activities into restricted and unrestricted

	Notes	2017 Unrestricted £ 000	2017 Restricted £ 000	2017 Total £ 000	2016 Total £ 000
Income					
Donations and legacies	2	87	27	114	117
Grants	4	-	1,005	1,005	1,515
Investment income		-	-	-	2
Charitable activities					
Licence fees		10,387	-	10,387	9,764
Partnership and other income	5	439	416	855	357
Total income		10,913	1,448	12,361	11,755
Expenditure					
	6				
Raising funds		447	-	447	390
Charitable activities					
Focus on Impact		4,123	667	4,790	4,020
Improve and Innovate		3,107	202	3,309	3,618
Make Fairtrade Personal		2,845	162	3,007	4,043
Total charitable activities		10,075	1,031	11,106	11,681
Total expenditure		10,522	1,031	11,553	12,071
Net income/(expenditure), being net movement in funds					
	9	391	417	808	(316)
Reconciliation of funds:					
Fund balances brought forward		3,498	339	3,837	4,153
Fund balances carried forward	17	3,889	756	4,645	3,837

20 Notes to the cash flow statement

Reconciliation of net income/(expenditure) to operating cash flow		
	2018	2017
	£000	£000
Net income/(expenditure)	980	808
Depreciation charge	182	183
Decrease in stock	1	12
Increase in debtors	929	(1,546)
Increase/(decrease) in creditors		
excluding short-term borrowings	(1,572)	1,715
Increase in provisions	365	269
Net cash inflow from operating activities	885	1,441

Analysis of net funds

	Balance at 1 Jan 2018	Cash flow movement	Balance at 31 Dec 2018
	£	£	£
Cash at bank and in hand	2,953	522	3,475
Net funds	2,953	522	3,475

21 Financial commitments under operating leases

At 31 December the charity had total commitments under operating leases as follows:

	2018	2017
	£000	£000
Land and buildings		
Due within 1 year	106	256
Total due in years 2 to 5	1,162	-
Office equipment		
Due within 1 year	14	14
Total due in years 2 to 5	1	16
Total	1,283	286

Lease payments recognised as an expense were £272,000 (2017: £511,000). They are included in support costs.

22 Share capital

The Fairtrade Foundation is a company limited by guarantee and with no share capital. Each of the 16 members is liable to contribute a sum not exceeding £1 in the event of the company being wound up.

23 Pension funds – defined contribution scheme

The Foundation contributes towards a defined contribution scheme. The cost of this scheme is charged to the Statement of Financial Activities and amounted to £300,000 (2017: £311,000). It did not give rise to any provisions/reserves.

Employer pension contributions are allocated between activities, and between restricted and unrestricted funds based on a review of the role of each employee.

FAIRTRADE FOUNDATION REFERENCE AND ADMINISTRATIVE INFORMATION

Legal status

A company without share capital limited by guarantee, registered in the United Kingdom, number 2733136.

Registered address and principal office

5.7 The Loom,
14 Gower's Walk,
London, E1 8PY

Registered charity number

1043886

Directors/Trustees

Alison Marshall	Appointed September 2016
Barnaby Tallack	Left December 2018
Bob Doherty	Appointed August 2017
Brenda Achieng	Appointed June 2016, left March 2019
David Paterson	Appointed September 2018
Didier Dallemagne	Appointed October 2014
Elizabeth Sideris	Appointed October 2014
Jane Frost (Vice Chair)	Appointed June 2014
Mark Price (Chair)	Appointed September 2018
Marike de Peña	Appointed June 2018
Michael Jary (Chair)	Left September 2018
Paul Farthing	Left September 2018
Paul Thompson (Treasurer)	Appointed June 2014
Rebecca Rowland	Left December 2018
Simon Wright	Appointed December 2018

Senior management

Michael Gidney	Chief Executive
Fiona Kindness	Chief Financial Officer
Louisa Cox	Director of Impact – on maternity leave from September 2017, returning April 2018
Lauren Pett	Director of Impact – maternity cover from September 2017 to April 2018
Cheryl McGeachie	Director of Public Engagement – left May 2019
Euan Venters	Commercial Director

Company secretary

Michael Gidney

Member organisations

All We Can
Banana Link
CAFOD*
Christian Aid*
Global Justice Now*
National Campaigner Committee
National Federation of Women's Institutes*
Nicaragua Solidarity Campaign
Oxfam*
People & Planet
SCIAF
Shared Interest Foundation
Soroptimist International Great Britain & Ireland
Tearfund
Traidcraft Exchange*
United Reformed Church
(*Founder members)

Bankers

CAF Bank Ltd
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West Malling
Kent
ME19 4TA

HSBC
31 Holborn Circus
London
EC1N 2HR

Solicitors

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2-6 Cannon Street
London
EC4M 6YH

Auditor

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St. Bride's House
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