



The Fairtrade Foundation

**Annual Report
And Financial Statements**

For the year ended 31 December 2014

The Fairtrade Foundation

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The Fairtrade Foundation

Trustees' Report (incorporating the Report of the Directors) For the year ended 31 December 2014

The trustees, who are also directors of the charity for the purposes of the Companies Act, present their annual report and financial statements of the Fairtrade Foundation (the "charity") for the year ended 31 December 2014. The Reference and Administrative Information on pages 36 and 37 form part of this report.

Objectives and activities

The objects of the Fairtrade Foundation are formally set out in the Memorandum and Articles of Association as:

- Relieving poverty, suffering and distress in any part of the world; and
- Promoting research into and education concerning the causes and effects of poverty, particularly in relation to the conduct of trade and to the conditions of employment (including self-employment) of poor people in any part of the world, and publishing the useful results of that research.

To relieve poverty in the world's least developed countries, the Fairtrade Foundation licenses the use of the FAIRTRADE Mark on products in the UK that meet international Fairtrade standards. The sales of such products relieve the poverty of producers in the developing world by ensuring that they receive at least a fair price for their goods and an additional social premium. This social premium is democratically allocated by producers to develop and support local community projects, such as schools or equipment, clean water and health care, or to improve the productivity of their businesses.

The Fairtrade Foundation promotes research and education on the causes and effects of poverty, particularly in relation to the conduct of trade. We do this by bringing together producers, businesses, communities and individuals in a powerful citizens' movement for change, to tackle poverty and injustice through trade. Some of the ways that we do this include researching and developing reports on the impact on producers in the developing world; promoting, and inspiring the general public about, Fairtrade; further deepening our collective awareness and understanding of the need and impact of Fairtrade; motivating campaigning volunteers across the UK to take up these issues on our behalf through development of local campaign groups in towns, cities, schools, universities and churches; and engaging with relevant influential decision makers on the issues.

The Fairtrade Foundation is a member organisation of, and works very closely with, Fairtrade International (FI, previously known as Fairtrade Labelling Organisations International - FLO), based in Germany. This umbrella organisation is responsible for the international standards that underpin Fairtrade; for supporting producers and, through its subsidiary FLO-CERT, for certifying adherence to the standards by producers and traders.

The Fairtrade Foundation's FAIRTRADE Mark is the independent consumer guarantee of a better deal for producers in developing countries. The Foundation charges licence fees to companies marketing products that comply with the Fairtrade standards and carry the FAIRTRADE Mark. Licence fees cover the costs of monitoring and audit to ensure compliance with Fairtrade standards and contribute to the costs of public education and awareness-raising work. Monitoring and auditing of UK licensees is largely undertaken directly by the Foundation, while producer and trader certification is the responsibility of FLO-CERT.

Our vision

Our vision is of a world in which justice and sustainable development are at the heart of trade structures and practices so that everyone, through their work, can maintain a decent and dignified livelihood and develop their full potential.

To achieve this vision, Fairtrade seeks to transform trading structures and practices in favour of the poor and disadvantaged. By facilitating trading partnerships based on equity and transparency, Fairtrade contributes to sustainable development for marginalised producers, workers and their communities. Through demonstration of alternatives to conventional trade and other forms of

advocacy, the Fairtrade movement empowers citizens to campaign for an international trade system based on justice and fairness.

Our mission

The Fairtrade Foundation's mission is to work with businesses, community groups and individuals to improve the trading position of producer organisations in developing countries and to deliver sustainable livelihoods for farmers, workers and their communities by:

- being a passionate and ambitious development organisation committed to tackling poverty and injustice through trade;
- using certification and product labelling, through the FAIRTRADE Mark, as a tool for our development goals;
- bringing together producers and consumers in a citizens' movement for change; and
- being recognised as the UK's leading authority on fair trade.

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 below.

UNLOCKING THE POWER OF THE MANY: Fairtrade Foundation's 2013-15 strategy

In February 2013 we published our new 2013-15 year strategy, 'Unlocking the Power of the Many'. This strategy recognises that together - producers, businesses and the UK public – we hold incredible power to deliver even greater impact and wider change, to learn from the past and adapt for the future. It sets out three strategic goals for the charity:

- **To increase impact and sales for producers.** By 2015 to increase UK Fairtrade sales from £1.5bn to over £2bn and annual Fairtrade premiums from £23m to over £31m;
- **To galvanise public support and action.** By 2015 half a million people will be actively engaged and pushing for faster, deeper change and over 50% of the population will be actively choosing Fairtrade; and
- **To cultivate an inspiring and effective organisation.** By 2015, to be part of an efficient and well connected international Fairtrade system, with clear and published impact and learning driving our strategic planning. Investment in our staff, systems and processes will have strengthened our effectiveness, accountability and decision making.

Trustees review progress against these goals during the year through quarterly reporting against key performance indicators. The following progress can be reported for 2014.

Strategic report

Achievements and performance in 2014

Goal 1 - Increase impact and sales for producers

Overall targets

Ensuring continued market access is central to delivery of impact for producers, and overall Fairtrade sales held up in most categories against a tough economic climate and current grocery market trends. Sales of Fairtrade products in 2014 achieved an estimated retail value of £1.68 billion, compared to £1.74 billion the previous year, representing a slight decrease of 3.3%. This is the first decline in Fairtrade's 20 year history, and falls short of our stated 2014 target to increase the market and achieve £1.88 billion and £29 million premiums for producers. However it still represents resilience of Fairtrade, given trends in the wider grocery market towards increased price competition and a growing number of other schemes and initiatives which affected sales. In particular, global oversupply of sugar and anticipation of the EU market reform abolition of sugar beet quotas in 2017 saw a rapid decline in sugar prices across Europe, and sugar cane struggled to compete with beet, resulting in loss of some Fairtrade sales – and this accounts for much of the decline. The total UK market generated just over £25 million of premium to producers for investment in their own business and community development priorities, a very small decrease on 2013, which means that, rather than the original target of £31 million by 2015 (which we set at the end of 2012), the challenge now is to halt the decline, and move back into positive growth and increased impact through new business commitments and innovations.

We said:

We will unlock the power of companies to deliver impact for farmers and workers through Fairtrade product certification and the FAIRTRADE Mark.

We achieved:

In 2014, our product strategy continued to focus on core commodities of coffee, tea, bananas, cocoa and sugar, and in building up new ways of working with companies, such as new business partnerships, in order to deliver deeper impact for producers.

Coffee remains Fairtrade's best known product, and coffee sales held up well, with a 9% increase in volume sales, generating an estimated £5 million in Fairtrade premiums in 2014. Despite significant volume growth, estimated retail value only grew by 3% compared to 2013, indicating slight price deflation in the UK market. Overall, Fairtrade coffee represented about 8% of the overall market in 2014, but is much more prevalent in roast and ground (22% of market) than instant (3.9%). Our work focussed on communicating quality, transparency of supply chain and relationships between producers and end companies. We took part in the major London Coffee Festival, and promoted Fairtrade coffee through our innovative Fairness Campaign in the autumn. Fairtrade coffees won 14 Great Taste Awards in 2014. Research on Fairtrade coffee impact in India, Peru, Mexico and Tanzania indicated the value of stability of Fairtrade prices and premiums in a very volatile market, and farmers had been able to use Premiums to invest in combating coffee rust disease in Latin America.

Tea continues to be a steady, but not expanding market for producers, with many brands competing via fierce price promotions, and volumes seeing a 3% decline. UK sales delivered an estimated £2.9 million in premiums back to farmers' organisations in 2014, thanks to the continued 100% range commitments by Sainsbury's, Coop, Waitrose and M&S for their own label products, and the work of long standing Fairtrade tea brands such as Cafédirect and Clipper. Fairtrade is continuing to support international work on living wage benchmarks, and work to progress towards this in countries like Malawi, where Fairtrade suppliers can have real influence. We are also part of the Tea 2030 coalition to create better value for farmers and workers, and a more sustainable tea industry. In Kenya, Fairtrade is supporting tea growers to adapt to climate change, with premiums supporting tree nurseries, reduction of deforestation, organic composting and reduction of chemical usage.

Bananas remain a flagship product for Fairtrade, and were the focus of a major year long campaign to Make Bananas Fair in 2014, starting in Fairtrade Fortnight with an innovative Stick With Foncho

Campaign, which challenged the price wars being waged by supermarkets on conventional loose bananas in recent years. Volumes of Fairtrade banana sales grew by 3% in 2014, generating an estimated £7.9 million of Fairtrade premium, on top of the stable price received through the Fairtrade system which remains important in a volatile market. In Colombia, research indicates Fairtrade improves cash flow for small farmer organisations, and lifted their incomes by up to 34%, whilst on plantations, 38% of premiums have been used by workers to improve their own houses. The increase in volume in part due to Tesco re-stocking conventional Fairtrade bananas as well as organic Fairtrade bananas.

After strong increases in 2013, sales of **Fairtrade cocoa** dipped very slightly by 2% in volume in 2014. Competition in the confectionery market saw several chocolate brands introduce new product variations, and launch promotions and special offers for these, rather than their core certified products. Against, this trend, 2014 saw increased commitments to Fairtrade certified chocolate by Waitrose and M&S. As a result, Fairtrade cocoa in UK products still delivered an estimated £4.1 million in premiums to producers in 2014, enabling smallholders in Cote d'Ivoire, Ghana and Dominican Republic to invest in their own future.

Sugar was one of Fairtrade's biggest challenges in 2014, as proposed changes by the EU to abolish sugar beet quotas by 2017, alongside global oversupply, saw European sugar prices crash. In a tough retail market, this made it very difficult for Fairtrade sugar cane to compete, and despite intensive lobbying and negotiations conducted by both Fairtrade sugar suppliers and the Fairtrade Foundation, there was a market retail shift towards subsidised domestic sugar beet instead of cane during 2014. Volumes of Fairtrade sugar sold in 2014 declined by 11%. However sugar remains an extremely important category for Fairtrade, delivering £5.5 million in premiums to smallholder cane grower organisations in 2014. New impact materials for businesses, including case studies and films from Belize, were produced in 2014 to show the value of Fairtrade sugar and its impact in strengthening farmer organisations, improving environmental management and contributing to a 30% uplift in cane productivity. The Foundation has been working hard to raise the plight of small scale cane farmers, both with companies and with the UK and EU governments, to make the case for continued support.

2014 was a much more encouraging year for **Fairtrade flowers**, as Aldi, Asda and Sainsbury's all increased their lines, delivering a 31% increase in the number of Fairtrade stems sold, compared to 2014, and almost 110 million Fairtrade flower stems sold. There is no minimum price for flowers in the Fairtrade system, but an 8% premium applies, and UK sales contributed an estimated £1 million in premiums for investment by workers on flower plantations to improve their lives. Housing, education and credit services are the main chosen areas of investment by workers on Fairtrade certified farms. The top three countries supplying Fairtrade flowers to the UK market are Kenya, Ethiopia and Tanzania. Fairtrade is supporting work to establish benchmarks to move from minimum wages towards living wages on flower plantations, and changes to standards could see not just flowers but also other plants in the future.

Fairtrade wine volumes also rose in 2014, by 9% in volume to over 10.8 million litres, although wholesale and retail values remained flat, indicating a trend towards more competitive pricing at the UK end of the supply chain. Growth was driven by Fairtrade conversion of two iconic South African brands, Namaqua and Arniston Bay, and the UK remains the leading global market for Fairtrade wine, whilst the UK Co-operative is the leading global retailer of Fairtrade wines. 48 certified producer organisations in South Africa, Argentina, Chile and Lebanon are part of Fairtrade, delivering benefits to around 40,000 workers and their families.

Fairtrade cotton sales have been in decline now for several years, and 2014 was no different as more companies decided against the cost of certifying a fully traceable supply chain for cotton. This resulted in a further 31% drop in the number of cotton products sold, due to changes in ranges made by stockists and retailers. The Fairtrade Foundation worked hard to ensure cotton was given a spotlight in new Fashion Revolution campaign, launched on the anniversary of the Bangladesh Rana Plaza factory collapse. We also joined the Ethical Fashion Forum, and worked with TKMaxx to bring new cotton farmers in Uganda into Fairtrade. The new Fairtrade Sourcing Program model for cotton will give businesses a second way of sourcing on Fairtrade terms. In research with small scale Indian cotton farmers, 75% indicated they felt their economic situation had improved and 68% said their standard of living had got better, as a result of being part of Fairtrade.

Fairtrade **fresh fruit and juices** (other than bananas), **nuts and pulses** all declined in volume sales in 2014 (compared to 2013), whilst **olives and olive oil** sales grew by 11%, which is good news for the Palestinian small scale producers who rely on them for their livelihood.

Gold (and platinum and silver) are still relatively new products for Fairtrade, and in 2014 sales of these precious metals delivered a modest premium back to artisanal miners in South America of £30,000. However, a new Goldsmith registration scheme was launched in April 2014 and had attracted registrations from over 140 UK goldsmiths by the end of the year, with a combined purchasing power of 70kg of gold, which will increase future benefits. Work to extend Fairtrade certification to East African artisanal mining communities continued in 2014, and preparations for a public campaign targeting the bridal market in 2015 were taken forward.

We said:

We will unlock new partnerships with business to go further with Fairtrade and we will challenge, support and incentivise businesses to unlock deeper impact and commitment.

We achieved:

The Fairtrade Foundation supported the global launch of new **Fairtrade Sourcing Programs (FSP)** for cocoa, sugar and cotton, with the first commitments announced in Switzerland and Germany. These aim to scale up the volumes producers are able to sell on Fairtrade terms by enabling companies to focus on the sourcing of a single commodity for use in their manufacturing, without a mandatory requirement to label an end product. In the UK, it was agreed to conduct further market testing before public launch, including explaining the new approach to Fairtrade supporters at a series of regional campaigning events. In October 2014, the Foundation's Board approved a decision to introduce FSP to the UK market. Work to promote FSP is now underway and the first commitment in the UK was announced during Fairtrade Fortnight: Mars will switch Mars Bars to FSP Cocoa later in 2015.

Fairtrade's **Deepening Business Impact** programme is designed to facilitate dialogue with business partners on how they can go beyond their existing certification commitments to support additional projects and programmes to add value and impact for their producer partners. In 2014, we established two programmes, with coffee roaster Matthew Algie and Waitrose, which will both focus on strengthening coffee quality and processing, and resilience to climate change for small scale coffee farmers, in Ethiopia and Brazil respectively.

Fairtrade Foundation continues to champion the work of **dedicated Fair Trade Organisations**, and following agreement on a new joint Development Fund at the end of 2013, the Fairtrade Foundation supported five new projects in 2014, including exploring new producer origins for Fairtrade rice (Burma, by Traidcraft), cocoa (Uganda with Divine Chocolate), and juices (Africa with Fulwell Mill) whilst improving climate adaptation capacity for coffee producers in Peru (with TWIN) and improving co-operative communications with nut producers in Brazil (Liberation Nuts).

The Fairtrade Foundation also explored areas preventing greater impact for smallholder producers in 2014, with **two new research projects supported by the Co-operative Group**. The first study looked at the expansion of public-private partnerships (PPPs) in African smallholder agriculture, with case studies on Ghana, Malawi and Kenya, revealing a shocking lack of inclusion of smallholders in the design and consultation phases of such programmes.

Following on from 2013's work with TWIN to explore good practice in building greater **gender equity** in smallholder supply chains, the Fairtrade Foundation commissioned follow up research exploring barriers to women's participation and empowerment in producer organisations, with field research in Indian cotton, Kenyan tea and Dominican Republic banana groups. The final report *Equal Harvest* was timed to launch for International Women's Day in March 2015.

As part of the Fairtrade Foundation's commitment to deeper impact and better business practices, a partnership with the **Guardian Sustainable Business (GSB)** professional hub on Supply Chains continued throughout 2014, with the aim of providing case studies of how businesses are going further in their efforts to make supply chains fair and sustainable, and provoking debate. The Supply Chain hub attracted an average of over 40,000 unique users each month, many of them senior business professionals, whilst the Fairtrade Foundation's dedicated partner zone was easily the best performing sponsored content zone on the GSB platform, with 80,700 unique users over the 12 month period.

Goal 2 - Galvanise public support and action

Overall targets

Fairtrade is backed by a unique and dynamic grassroots movement of individuals, local communities, faith groups, schools, colleges, universities and campaigning groups. The power of this network has led to 78% of the UK public recognising the FAIRTRADE Mark in 2014, the highest awareness of any ethical label, but also meant that they have opportunities to learn about Fairtrade's impact and to campaign for wider trade justice.

We said we will unlock the power of the grassroots movement by:

- Recognising the growth of local community campaigns and supporting the development of 12 regional campaign networks, with a voice into the Fairtrade Foundation;
- Focusing on the next generation of Fairtrade activists and increasing the total number of local campaigns groups from 8,600 in 2012 to 11,000 by the end of 2015; and
- Creating more opportunities for individuals to support Fairtrade and increasing our active supporter base to 500,000 by the end of 2015.

We achieved:

By the end of 2014, there were a total of 9,772 local Fairtrade campaigning groups in the UK, who have achieved a Fairtrade status award, up from 9,123 in 2013. These include schools, colleges, universities, faith groups, and towns, cities, villages and Boroughs. The breakdown is as follows:

- 1,480 Fairtrade schools having achieved a Fairtrade award, with a total of 6,891 schools now registered with the scheme;
- 7,365 churches, 93 denominational groupings (e.g. dioceses) and 56 other faith grouping including synagogues, mosques, Hindu temples and gurdwaras;
- 601 Fairtrade towns, cities, villages, boroughs and zones; and
- 177 Fairtrade universities and colleges.

In addition to local campaigns, wider regional networks continue to develop and in 2014 Lancashire became a Fairtrade county, with Wiltshire and Surrey also actively working towards regional status. The Foundation continues to work closely with the national Fair Trade campaign coordinating bodies in both Wales (Cymru Masnach Deg) and Scotland (Scottish Fair Trade Forum), and the support they receive from the devolved governments in both countries.

In 2014 six regional conferences took place: in East Midlands (Leicester), South West (Truro), London, North England (Sunderland), North West England (Preston) and East England (Luton), and the Scottish Fair Trade Forum's Annual Campaigner meeting in Edinburgh. Over 500 local campaign organisers and supporters attended these events, along with producer representatives, FTOs, local politicians and community organisations. In addition, 100 campaigners from across the UK attended the Fairtrade Foundation's 20th Anniversary Conference in London, Fair Future, alongside 200 other delegates from businesses, government, academic institutions and NGOs.

The Fairtrade Foundation's National Campaigner Committee (NCC) enjoys full member status alongside our NGO member organisations, and continued to provide advice and feedback to guide our campaigning and wider activity, with quarterly meetings in 2014. Originally established as an advisory group, this has evolved into a representative body for our grassroots campaigner movement to feed into the organisation's campaigning and governance. By the end of 2014, 11 out of 12 regions had a democratically elected representative, with one remaining region, Northern Ireland, to follow in 2015.

Building our work with schools and young people was one of the Foundation's priorities in 2014. We relaunched our Fairtrade Schools programme as a three-tier award, to give schools the opportunity to keep building momentum through incremental development of their activity. Over 1,000 schools have achieved the highest award of FairAchiever, with several hundred more at the initial FairAware or intermediate FairActive level of achievement.

Awareness of Fairtrade amongst teenagers and young adults is exceptionally high – a Globescan survey in September 2014 showed a 97% recognition of the FAIRTRADE Mark amongst 13 - 20 year olds, with 85% showing good understanding of what it represents. “Generation Fairtrade” has high ethical expectations – 82% think businesses need to act more responsibly than they do at present. They also want to play their part: 3 in 4 want to be able to buy or use products that don't harm the people who make them (77%) or the environment (75%).

Fairtrade continues to enjoy strong support on social media channels. A new fairtrade.org.uk website, with a fresh branded look and improved content management system, was launched in 2014, and over the whole year the site had 889,425 unique visitors to the site, and a total of 1.35 million visits and 5.06 million page views. Almost two thirds were new visitors to the site.

The Fairtrade Foundation's following on Facebook increased by just over 16% to 128,000 likes, whilst Twitter followers increased by 33%, from 81,354 at the end of 2013 to 108,101 in 2014. Over 2,000 people subscribe to Fairtrade's YouTube channel, and our two key campaign films for Fairtrade Fortnight and the Fairness debate were each viewed over 300,000 times via YouTube and Facebook.

We said:

We will unlock the power of the public and Fairtrade supporters to bring about long-term change on trade.

More specifically we will:

- Launch a new three-year Make Food Fair campaign to tackle some of the structural injustices in food supply chains and encourage fair and responsible consumption of food:
- Target joint campaigns more effectively with the businesses we work with and develop more international marketing campaigns with the first launching in autumn 2013; and
- Communicate the impact Fairtrade is making drawing on independent research and impact assessment, as well as digital technology, and a new media strategy.

We achieved:

The Foundation's three year **Make Food Fair Campaign** took centre stage during **Fairtrade Fortnight 2014**, where the public, business and government alike were asked to *Stick with Foncho* in a campaign to highlight the challenges facing banana producers arising from the squeeze in value happening in the supply chain. Foncho, full name Albeiro Alfonso Cantillo Ruiz, a smallholder banana producer from the Uraba region of Colombia, volunteered to be the face of the campaign, including films viewed over 330,000 times and travelling to the UK to meet with politicians, campaigners and companies. A report, *Britain's Bruising Banana Wars* detailed the squeeze in value and sustainability challenges for both small scale farmers and workers not receiving adequate wages in the banana industry. A supermarket score card was produced in partnership with the Ethical Consumer, who independently assessed retailer commitments to the core principles and values of fair trading against a set of published criteria. The public was invited to Stick with Foncho by adding their name to a petition to the Secretary of State for Business and Industry, Vince Cable MP, asking the government to investigate the long term impact on sustainable production and consumption of the supermarket price wars on bananas. The petition, launched in February by Foncho together with comedian Harry Hill and Made in Chelsea star Cheska Hull, achieved 72,481 signatures, and was presented in an entertaining stunt by people dressed in banana suits on World Fair Trade Day in May 2014.

A second phase of the **Make Food Fair Campaign** in the autumn focussed on the two largest retailers Tesco and Asda, who still only offer a very small range of Fairtrade bananas, and called on them to go further. In an innovative online campaign, campaigners could write directly to the nearest large branch manager of both supermarkets, and over 181,000 emails were sent to the supermarkets by the end of 2014. In its response to the campaign, Tesco confirmed their intention to benchmark prices they pay to farmers against Fairtrade minimum prices (although not the premium), and became the first retailer to make a public commitment towards living wages on plantations they source from directly and who only supply them.

The autumn saw the launch of a new campaign asking whether we are really as fair as we think we are. **The Great British Fairness Debate**, encouraged people to think about whether they put their

values and principles of fairness into action in the decisions they take in their daily life. Over 34,000 people took the online Fairness test, whilst the campaign video achieved 326,000 views. The Fairtrade Foundation partnered with over 20 companies, from coffee brands, café chains and catering providers, to promote the campaign and offer prizes to those getting involved in the campaign.

2014 was also the Fairtrade Foundation's **20th anniversary** of the first products to carry the FAIRTRADE Mark. Activities to celebrate the occasion included campaigner local events and baking special birthday cakes, with Silchester CE Primary School winning a Fairtrade Bakesale competition for schools. We worked with key licensee companies such as Starbucks, Green & Black's and Cafédirect who were also celebrating milestones in 2014, and published an online interactive 'wall' with links to all the key milestones and stories over Fairtrade's 20 years. The flagship event of the 20th anniversary was *Fair Future*, a special conference bringing together 300 key Fairtrade contacts and influencers from across the movement: producers, companies, campaigners, NGO members, academics and journalists, hosted by Observer journalist and BBC presenter Lucy Siegle. The event included a special video message from HRH The Prince of Wales, debates on the future of Fairtrade, the ethics of business and 'Generation Fairtrade', and speeches by the Secretary of State for International Development, Rt Hon Justine Greening MP and TV presenter and business man Nick Hewer, who reflected on his visit to banana growers in St Lucia and retailer ethics. 1,800 people voted in our poll to decide **Britain's favourite Fairtrade product**, with Divine Chocolate's Toffee and Sea Salt winning the top accolade.

The Fairtrade Foundation also supports wider **action to influence trade and business policies** and practices, and we had a focus on **challenging power in supply chains** in 2014. New research on smallholder involvement in public-private partnerships in Africa, with funding from the Co-operative, was presented to Parliament in a new report *A Seat at the Table*. As part of our Make Bananas Fair campaign, we also called on the Secretary of State for Business and Industry to launch an investigation into the potentially negative impact of supermarket price wars, and continued to advocate for a stronger role for the newly established Grocery Code Adjudicator, including the power to issue fines and the need to extend its remit to include complaints from indirect suppliers, given producers overseas are rarely direct suppliers to supermarkets. We worked closely with the international Fair Trade Advocacy Office (FTAO) in Brussels to build on this work with a new Power in Supply Chains international report in the autumn, and this has opened up new dialogue with policy makers in both the UK and EU.

During the whole of 2014, the Foundation also continued to lobby on behalf of **ACP sugar producing countries** facing potential erosion of their market access following the EU decision to abolish domestic sugar beet quotas by 2017 and rapidly falling global sugar prices during the year. This included meetings with both UK and EU politicians and civil servants, work with origin producers and ACP negotiators, and continues into 2015.

On 24 April 2013 the Rana Plaza garment factory in Bangladesh collapsed, killing 1,134 people. To mark the anniversary of Rana Plaza in April 2014, the Fairtrade Foundation helped to found the first ever **Fashion Revolution Day**, working with fashion industry figures on a major photographic exhibition by Trevor Leighton, involving campaigners, and leading much of the media work. Fashion Revolution Day challenged people to turn garments inside out to reveal the label, and contact the brand owner asking #whomademyclothes? The campaign caused a major media and fashion industry stir, with 62 countries taking part.

Communicating Fairtrade's impact was a key priority in 2014, with new academic research published on the impact of Fairtrade bananas in Colombia, new impact communications on Belize sugar, and development of materials and case studies on Fairtrade tea from East Africa.

Goal 3 - Cultivate an inspiring and effective organisation

We said:

We will unlock the power of our organisation and our people.

We will put into practice learning from our impact and publish social impact reports, available from 2014. We will invest in staff and the working environment and build a learning organisation. We will improve our systems and processes, underpinned by robust information and data to make more

informed decisions. We will increase our collaboration internationally and champion development of a global financial and planning model.

We achieved:

A great place to work

The Fairtrade Foundation continues to invest in staff development and high performance, and in 2014 applied for the first time for **Investors in People** accreditation, 12 months ahead of our original schedule. The organisation immediately achieved the Bronze level Investors in People award, considered by many staff interviewed as a great place to work, with recognised improvements to leadership and management.

A full **staff engagement** survey is only conducted every two years, but pulse surveys are also being implemented to provide ongoing data for a smaller set of key indicators. In 2014, the pulse survey showed encouraging improvements in staff satisfaction levels. The number of staff recommending the Foundation as a great place to work rose from 67% to 71%, and those considering their pay and conditions being fair rose from 49% to 71%. The survey indicated further work is still needed to ensure effectiveness of performance management and feedback.

One contributing factor to staff satisfaction in 2014 was the support service offered as part of the move to **pension auto-enrolment**. The Fairtrade Foundation used this opportunity to review pension provision, with a decision to move to a new provider offering more flexibility and choice of pension plans to staff, lower management charges, and also provided employees with independent financial advice during this process. As a result of auto-enrolment, the Fairtrade Foundation contributed over 50% more from April-December 2014 than during the same period in 2013.

The Foundation continues to invest in **Learning and Development**. In 2014 this included management training, project management, volunteer management, individual coaching and mentoring, 67 different external courses and professional conferences, sales training, storytelling workshops, Spanish classes and support for personal studies and qualifications.

In line with Fairtrade's vision and mission to secure decent livelihoods for all farmers and workers, and advocate this as part of core business practice, the Foundation became an accredited **Living Wage Employer** in 2014, via the Living Wage Foundation. All staff and contractors earn well above London Living Wage benchmarks.

As well as staff, the Fairtrade Foundation provides many opportunities for **internships, work placements and volunteering**. In 2014, volunteers contributed a fantastic 4,000 hours towards the Fairtrade Foundation's work. All volunteers receive travel expenses and lunch vouchers, and in 2014 workshops for volunteers to assist with career advice and job search were also offered.

Raising additional funds to increase our impact

Currently the main source of Fairtrade's income is the licence fee that we receive for certification of products with the FAIRTRADE Mark. However, additional funding sourced primarily from bi and multilateral institutions plays an important role in the funding mix of the Fairtrade Foundation. Total fundraised income in 2014 was £1.2 million.

Our **most important institutional funder is DFID**, who continue to provide long term strategic support through a Programme Partnership Agreement with Fairtrade International, which includes an amount for the Fairtrade Foundation's work. This vital source of flexible funding largely supports Fairtrade Foundation's work with schools and community groups, policy and impact assessment and on deepening business engagement which seeks to drive more impact for producers. This funding will continue until March 2016 when the existing PPA ends.

Other funding of note includes ongoing funding from **Comic Relief** in 2014 for our work with artisanal small scale miners in East Africa. This work has focused on supporting miners to meet the standards required to be fully certified against the Fairtrade Gold standard, which is expected to be achieved in 2015.

In 2014 we secured new grant support from the **Big Lottery Fund** and the **Guernsey Overseas Aid Commission** of £410,000 to invest in a new programme to improve gender equality, working with

women farmers in West Kenya. The project – ‘Women in Coffee’ - will be delivered by Fairtrade Africa and local NGO and expert partners, and seeks to support 500 women farmers from Kabngetuny and Kapkijai co-operatives into income earning roles and to market their coffee within Kenyan markets.

Public fundraising, from individuals and communities, including schools, churches and groups made up a very small proportion of Fairtrade Foundation income in 2014, totalling around £100,000.

Fundraised income represents a small proportion of funding into the Fairtrade Foundation. The current funding mix represents a future challenge for the foundation, both in terms of growing impact for producers and for funding UK based operations currently funded by the DFID PPA. Work is planned in 2015 to assess the potential for increasing fundraised income and creating a more balanced portfolio upon which to secure future growth.

Proving and improving our impact

The second **Annual Social Impact Report** was produced and presented to trustees and member organisations at the AGM in October 2014. For the first time, insights from the internal impact process were integrated into a publicly available Annual Impact Report, providing a more comprehensive analysis of the Fairtrade Foundation’s achievements, challenges, learning for the future and forthcoming plans and actions. In 2015, there will be further development to strengthen internal learning processes, improve data gathering and monitoring, including work to improve the indicators of outcomes and impact.

Fairtrade Foundation continues to play a key role in Fairtrade International’s **Monitoring, Evaluation and Learning (MEL) programme**, including through secondment during the early months of 2014 of our Senior Research and Impact Manager whilst staff were recruited into the global office. We started, and will continue to lead, work to define clearer indicators for Fairtrade’s Theory of Change on the pillar focussed on Making Trade Fair. In 2014, we established a new Impact Communications role, so that we can improve our effectiveness in turning the growing bank of data, insights and case studies into accessible and relevant material for those interested in Fairtrade’s work.

Supporting the global Fairtrade family

The Fairtrade Foundation continues to support the development of **Fairtrade India**, which launched in late 2013, including managing product application and licensing services. By the end of 2014, the Fairtrade Foundation had managed 49 product applications for the Indian Fairtrade market, and also provided training and support to the staff of Fairtrade India to enable them to prepare their licensee companies to provide the right information.

Fairtrade Foundation plays an active role in supporting global developments through Fairtrade International. In 2014, this included the establishment of a new **International Marketing and Campaigns Team** to strengthen global branding, enable more efficient sharing and coordination of marketing tools and assets, and drive shared campaigns.

Improving Fairtrade certification processes

Fairtrade **certification** requires the application of solid processes and data management, and 2014 delivered further progress in improving the quality of data and the ‘customer experience’ of Fairtrade’s systems. Following a cleansing process, including the removal of some inactive accounts, the certification database showed a total of 413 companies signed up with the Fairtrade Foundation as licensees, traders or sub-contractors, including 57 newly signed up companies. In 2014, 2,119 applications for new products were received.

The introduction of new Food Information Regulations also led to a surge in the number of product artwork approvals, as new recipes and packaging information were submitted. In 2014, the team dealt with 2,963 artwork approval requests.

The certification team also leads the auditing of UK registered licensees and traders, and in 2014 started proactively monitoring the time taken from inspection to approval of a final audit report. The median average time in the final quarter of 2014 was 26 weeks, and so a key target for 2015 will be to improve and speed up this process. A risk based approach to company auditing is proving efficient, with 75% of those inspected in 2014 resulting in some form of further investigation or corrective action.

Plans for 2015 and beyond

2015 is the final year of our 2013-15 strategy and we have ambitious plans to further drive impact and sales for producers, galvanise the public and cultivate an inspiring and effective organisation. During 2015 we will also be focussing on working to establish a new strategy for 2016-20, both for the UK and as part of the global Fairtrade International strategy.

Goal 1 - Increase impact and sales for producers:

- We have recognised that the original targets in our 2013-15 strategy of £2 billion sales and £31 million premium, which were established in 2012, will not now be met in 2015. Our focus in the most challenging retail environment in 30 years will be to halt the decline, and move back to growth and increased impact through new business commitments and innovations.
- Our focus on sugar will be to protect UK volumes wherever possible, having adjusted forecasts based on the new market reality. For producers, we will support work to open up new markets in southern Europe, speciality sugars in the EU and 'South-South' trading. We will lobby for more EU and institutional support for affected farmers in ACP countries, and continue our work to support producers to diversify and find alternative markets in order to adapt to EU sugar regime reforms.
- We will continue to grow and protect coffee exploring a new instant model and options to scale up.
- We will implement the new Fairtrade Sourcing Program (FSP) model in cocoa, sugar and cotton, to open up new opportunities for small scale farmer organisations to sell on Fairtrade terms. We aim to have at least one new FSP agreement in place by the end of 2015
- We will also build on our deepening business commitment agenda, developing and showcasing pilot projects on pro-poor business practices and providing co-funding for projects through our new Fairtrade – FTO joint development fund.

Goal 2 – Galvanise public support and action:

- We will continue to increase our supporter numbers in 2015. But we will be focussing our communications with supporters in a more segmented way, recognising that supporters play different roles at different times. Some will buy, some will act, some will give, and others will tell or organise, and some will do a various combination of these options. This focussing of the supporter strategy leads to our medium-term ambition of a society where more than 50% of people will be actively choosing Fairtrade, although we recognise that this is challenging in the rapidly changing retail sector.
- Fairtrade Fortnight this year will creatively engage people in the lives of some of the Fairtrade farmers, highlighting the impact that Fairtrade has. Utilising social media to expand the message and engage people in the rich content to support the key messages. Our product focus will be around the sugar price crash as a result of the EU common agriculture policy decision on sugar quota. This will result in the flooding of the sugar market with EU grown sugar beet, at the expense of the Cane Sugar growers. We will be calling on the Government and the EU to consider the impact of their decision and take appropriate action to mitigate the risk for Fairtrade cane sugar farmers
- Building on the success of the re-launched Fairtrade schools engagement scheme we will continue to drive a significant increase in this area. With almost a third of schools in the UK engaging in issues around fair trade, we will be aiming for 2000 schools achieving Fairtrade status in 2015.
- We will also engage further through our campaigns with our faiths, towns and university groups. We will further support the regionalisation of towns work through regional conferences. We will continue to support the international town's movement with a conference to be held in Bristol in 2015.

- Impact communications remain a key priority in 2015 as we continue to implement the impact communications strategy.

Goal 3 – Cultivate an inspiring and effective organisation:

- Our target for 2015 is to increase our staff engagement to 75% (from 65% in 2013). We will also introduce succession planning & improved performance measures.
- We will build on our first published Annual Social Impact report and continue to develop a learning organisation culture and invest further in improving our systems and processes.
- Improving systems and processes remains a key focus in 2015. Improvements to licensees facing IT systems will be rolled out in late 2015, providing a faster and easier to use interface for licensees to engage with the Foundation's product integrity processes.
- We will also maintain healthy finances through:
 - Our focus on core products and we will invest in a new services team to drive innovation and new ways of working in preparation for the new 2016-20 strategy.
 - We will carry out a comprehensive review of our fundraising to date and develop a fundraising strategy that will align to and support the delivery of the 2016-20 strategic goals. We will also continue to build a positive relationship with DFID delivering more impact for producers through our renewed DFID PPA (April 2014 to March 2016).

Financial Review

Total incoming resources for the year declined slightly from £11.8 million to £11.6 million. The principal component of income, the licence fee charged to companies carrying the FAIRTRADE Mark on their products, stayed the same at £10.1 million. This is despite the challenging environment of the UK grocery market where retail prices are flat (or falling in some products). The annual wholesale value of Fairtrade products sold in the UK declined by 3% in the year.

Grant income reduced in 2014 from £1.4 million to £1.1 million due to some grants coming to an end and the income not being replaced in 2014. We were successful in securing a new grant from the Big Lottery Fund and the Guernsey Overseas Aid Commission of £410k to improve gender equality, working with women farmers in West Kenya, which will start in 2015. We are in the process of reviewing our fundraising strategy in order to see how we might increase and diversify our income.

Grant income came primarily from the Department for International Development (DFID) and from Comic Relief. The two year DFID Programme Partnership Arrangement (PPA) began in April 2014 and is payable to Fairtrade International with £750k per annum coming to the Fairtrade Foundation to help build more in-depth support for Fairtrade and international development among the UK public. We are seeking more funding from DFID for when the current agreement finishes in March 2016.

A Comic Relief grant supporting the development of small scale artisanal gold miners in Africa to access Fairtrade benefits continued in 2014. Please see Note 13 to the Financial Statements for more information.

Valuable support also came from trusts and foundations and from partner organisations and we would like to thank all funders very much for their continued commitment to furthering the work of the Fairtrade Foundation.

Donations decreased by 13% from £114k in 2013 to £99k in 2014. The Foundation would like to thank all the individuals, community groups and companies who have made very valuable donations in support of Fairtrade in 2014 and we continue to explore ways in which we can expand the opportunities for donors to give to the Foundation's work.

Resources expended increased by 6% to £11.9 million. Charitable expenditure accounted for 96% of the charity's expenditure in 2014, with Fundraising and Governance making up only 4% between them. The different types of charitable expenditure increased largely in line with the overall increase of 6%, but Market Development rose the most, by 10%. This was due to additional resources being

invested in rolling out Fairtrade Sourcing Programs (FSP) and an increased focus on commercial activity during Fairtrade Fortnight.

Total funds decreased by £0.3 million to £3.9 million. This resulted from using £0.3m of designated funds for specific projects in 2014 as planned. Restricted funds decreased slightly from £240k to £226k. For more information see Note 13 to the Financial Statements.

The management and trustees have conducted a thorough review of the financial trends and assumptions used in forecasting financial performance for at least the next 12 months and consider that the charity remains a going concern.

Investment Policy and Performance

The Memorandum of Association allows the Foundation to invest funds not immediately required as the trustees think fit. The Board's investment policy rules out speculative investment and requires that funds expected to be needed within a twelve-month period be held in cash or on deposit with immediate or short-term notice access. It allows funds likely to be held for longer to be placed in low-risk investments and requires that there is no exposure to unrecoverable taxation. The policy also requires that no investment shall be made which is likely to damage the Foundation's interests by offending the ethics of current and potential stakeholders.

In the recent past the Foundation, because of its low level of cash reserves, has restricted investment to on-call cash deposit accounts. The Board has an investment policy that allows cash to be invested in short-term cash deposits of up to six months with criteria in place to determine the financial and ethical exposure of these deposits. The trustees believe this approach to its cash investment is an appropriate way for the charity to hold these funds.

Reserves Policy

The trustees review the reserves policy each year as part of the overall risk management of the Foundation. The target level of General Funds (that is, reserves that are not restricted or designated) is reviewed at regular intervals as part of the annual planning cycle. General Funds are held to cover any temporary shortfall in income, unforeseen rise in spending requirements or other financial contingency, so that the charity can continue to operate at all times.

The target set for the end of 2014 of £2.2 million was achieved, with General Funds reaching £2.4 million, equivalent to 15 weeks of operational expenditure. £231k was released from the Designated Pension Deficit Fund into General Funds since the liability to the Pensions Trust was settled at a cost of only £22k, creating a significant saving on the quoted cost of £253k. £250k has been added to the Designated Fund for Investment, leaving a balance of £937k which continues to fund projects that improve impact and efficiencies at the Foundation, for which fundraising is difficult. For example, £220k has been allocated to a system replacement project in 2015 that will improve the experience of licensees. Resources are still a limiting factor in what the Foundation is able to achieve for producers and therefore opportunities for sales growth and fundraised income continue to be explored.

Cash is another limiting factor since the majority of income comes from sales which are invoiced in arrears, and therefore cash balances do not necessarily increase when balance sheet reserves increase. Cash held in banks increased in the year by £1 million to £2.3 million. There are significant fluctuations on cash balances during the year due to the timings of receipts from licensees hence the need for this level of cash balances. Cash flow forecasts are carried out regularly and future cash needs are taken into account when setting reserves targets and budgets.

With changes to the rules on the importing of sugar into the EU coming into effect in 2017, sales of Fairtrade sugar are already being affected and this will put pressure on Fairtrade sugar producers and also on the licence fee receivable by the Foundation, hence we are expecting a fall in revenue in 2015 and reserves may be required to bridge the gap between the losses of DFID funding and sugar-related licence fee and a new cost base.

The trustees have reviewed the reserves policy as at 31 December 2014. Under the policy two calculation methods are used to determine the target reserves levels for the following year, with the higher of the two numbers setting the target:

- 1) Trustees identify and consider the financial implications and likelihood of significant risks. Assessment in December 2014 of the financial implications of these risks provides a target level of £1.9 million for the coming year (2013: £2.0m); and
- 2) A reserves target of at least three months' unrestricted running costs is calculated. In December 2014 this target was calculated to be £2.1 million for the coming year, based on the 2015 budget (2013: £2.2m).

The target level for General Funds according to the Reserves Policy is to achieve and maintain the higher of the two target levels, therefore £2.1 million for the end of 2015. However, in light of the uncertainty in the grocery market that the Foundation is currently facing, the trustees agreed to set a balanced budget for 2015, leading to reserves of £2.4 million at the year end.

The trustees will continue to review the level of reserves so that the Foundation maintains the appropriate level of financial security required for the challenges of the years ahead.

During the planning process for 2016 the trustees will balance the need to guard against risks facing the Foundation and opportunities to use reserves to fund specific projects.

Note 13 of the Notes to the Financial Statements provide a description of the Foundation's restricted and designated funds.

Principal Risks and Uncertainties

Risk Management

The trustees undertake a regular review of risks facing the Fairtrade Foundation and it is an integral part of the operational management undertaken by the senior management team. The trustees believe that through this process a wide range of risks faced by the charity have been identified, quantified and, where appropriate, action taken on a continuing basis to manage those risks. Top risks identified include potential problems with the supply of Fairtrade commodities, competition from other certification Marks, Public Relations and a failure of internal and global systems.

The trustees note that many of these risks are commercial or external ones and reflect the fact that the Fairtrade Foundation is just one component within the Fairtrade system. The trustees have carefully considered these risks and identified appropriate strategies for the Foundation to pursue to ensure the risks are minimised. One method of combating risks and uncertainties is to hold appropriate levels of reserves giving time to respond to situations as they arise.

Structure, governance and management

The organisation of the charity

The 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 on 25 January 1994, 20 May 2003, 15 July 2006, 30 June 2007 and 6 October 2012. The organisation was initially founded in 1992 by CAFOD, Christian Aid, Oxfam, Traidcraft Exchange, and the World Development Movement, with the National Federation of Women's Institutes joining 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 with us. Organisations applying for membership are expected to have either a strong development or consumer focus, and to contribute to the promotion of Fairtrade, for example amongst their own supporters. A full list of member organisations is given on page 37.

Trustee appointment and induction

The Board can comprise up to 12 trustees who are appointed by the following process determined by the Articles of Association. Up to two positions are available to be elected by the six Founder Members and a further four positions available for election from the full membership. Formal elections take place at the Annual General Meeting where one third of the elected Board stand down by rotation. Two co-opted places are allocated to producer representatives. Elected Board members also 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.

In filling the places available for co-option the trustees review the skills already present on the Board and identify the key skill gaps that exist as part of drawing up the specification for potential trustees. The Foundation uses external advertisements to attract a full range of candidates for vacancies.

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 the launch of Fairtrade Fortnight and other promotional events, licensee meetings, and other stakeholder events, so that they have a wide exposure to the various stakeholders in the Foundation. Should the appropriate opportunity arise trustees may sometimes visit producer groups to see first-hand the impact of Fairtrade.

Each year the Board conducts a review of its performance including a survey of trustees and non-trustee sub-committee members. This helps trustees identify and assess the areas of governance structure 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 (e.g. annual plans and budgets); Supporting and appraising the Chief Executive, and approving staffing and remuneration policies; and
- Reviewing reports and management accounts to ensure that the Foundation's performance is in line with its policies and programmes, that it is managing any risks correctly and taking any remedial action needed.

The Board has four sub committees: the Finance and Audit Committee (formerly known as the Executive Committee), Certification and Assurance Oversight Committee (formerly known as the Certification Committee), Nominations Committee and Remuneration Committee.

The Finance and Audit Committee consists of five trustees and meets up to five times a year to:

- Monitor progress on major issues between Board meetings;
- Consider any matter specifically referred to it by the Board;
- Give first consideration to strategic issues including planning and risk before they are submitted to the full Board;
- Review drafts of financial policies, budgets and annual accounts before they go to the Board for formal approval;
- Receive and approve management accounts within the financial year;
- Approve fundraising donations offered;
- Authorise the Chief Executive to make grants to third parties from unrestricted funds;
- Monitor the development, implementation and compliance of IT and Finance strategy and policies;
- Monitor and advise on internal financial controls;
- To meet the external auditors and to receive their management letter;
- To authorise amendments to the budget in accordance with the overall budgetary authorities agreed by the Board; and

- Undertake the function of an audit committee including appointment of auditors with delegated authority from the Board.

NB These functions and activities do not absolve the full Board of trustees of its legal responsibilities in relation to the statutory accounts.

The Certification and Assurance Oversight Committee comprises six members – two members are appointed by the Board (of whom at least one must be a trustee), two external experts from relevant fields of experience and two members of staff not involved with day-to-day certification work. The Committee meets six times a year to:

- Safeguard the impartiality of the Foundation's certification system and demonstrate its independence from any commercial or special interest;
- Review and check the work and decisions taken by the operational certification team;
- Seek information or advice from the Board, staff or from external advisors; and
- Submit comments and recommendations to the Board relating to the policy framework in which they operate.

The Nominations Committee consists of the Chair of the Board, and at least two further trustees of the Board, who nominate themselves and 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 three Board members and a specialist adviser on personnel issues and meets at least once a year. It has overall responsibility to set remuneration, with associated terms and conditions of employment, for all staff of the organisation.

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 subcommittee level.

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 Operating Officer, Director of Commercial Relations, Director of Policy and Public Affairs, Director of Public Engagement, Director of Finance and IT and Director of Product Integrity.

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;
- 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; and
- 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.

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

Fairtrade Foundation is proud to be 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 were appointed with the Investors in People Bronze award in 2014, which commented positively that 'Nearly all employees confirmed that Fairtrade provides equal opportunities and is living its values related to diversity'.

We aim to continue to improve diversity reporting and monitoring, and taking action as a result. We promote mentoring for aspiring female leaders through the Aspire Foundation. 28% of our most senior leadership are female.

Acknowledgements

Fairtrade is one of the most successful social change movements of recent times. This success is due to the commitment and dedication of all the stakeholders in the Foundation's work – the producers, the consumers, the licensees and retail partners, the grassroots campaigners and supporters and its staff and volunteers. We particularly thank our celebrities and other volunteers for the time they freely give to promote Fairtrade to the general public.

Volunteers provide invaluable support to the Foundation. They run local events to promote knowledge of the FAIRTRADE Mark in their communities. Fairtrade Fortnight events, and others throughout the year, depend heavily on the input of an unknown number of local volunteers. In addition, approximately 47 volunteers helped in the Fairtrade office at some time during the year and provided an estimated 591 days of time to the organisation. All this voluntary work is of great assistance to the Foundation, but, for accounting purposes, it is not valued within these financial statements.

During 2014, Patricia Alexander, Melissa Duncan and Simon Maxwell retired as trustees having completed their maximum terms. Richard Gough and Maria Standingford who had held independent roles on the Executive Committee, stood down during the year when the committee's terms of reference were updated to become the Finance and Audit Committee. The Foundation would like to express its gratitude for the years of diligent service given. They were instrumental in significantly increased impact for producers, resulting from the growth of Fairtrade sales and the Foundation itself during their tenure.

This report was approved by the trustees of the Fairtrade Foundation on 24 June 2015, in their capacity as company directors, the Strategic Report contained therein, and signed on its behalf by



Michael Jary
Chair of the Board
The Fairtrade Foundation
24 June 2015

Independent Auditor's Report to the Members of the Fairtrade Foundation

We have audited the financial statements of The Fairtrade Foundation for the year ended 31 December 2014 set out pages 20 to 35.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities, the trustees (who are also the directors of the charitable company for the purpose of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Strategic Report and the Trustees' Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

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 2014 and of its incoming resources and application of resources, including its income and expenditure, 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Trustees Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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

A handwritten signature in black ink, appearing to read 'Nicola May', with a stylized flourish at the end.

Nicola May
Senior Statutory Auditor
For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor
London

3 July 2015

The Fairtrade Foundation

Statement of Financial Activities for the year ended 31 December 2014 (including the Income and Expenditure Account)

		2014	2014	2014	2013
	Notes	Unrestricted £ 000	Restricted £ 000	Total £ 000	Total £ 000
Incoming resources					
<i>Incoming resources from generated funds</i>					
Donations	2	81	18	99	114
Grants	3	757	357	1,114	1,423
Investment income		5	-	5	8
<i>Incoming resources from charitable activities</i>					
Licence fees		10,052	-	10,052	10,096
Sale of awareness-raising items		25	-	25	38
Other incoming resources from charitable activities	4	321	1	322	103
Total incoming resources		11,241	376	11,617	11,782
Resources expended					
Costs of generating funds	5	339	-	339	354
Charitable activities					
Certification and licensing		1,606	-	1,606	1,556
Market development		2,568	-	2,568	2,331
Producer and product support		2,493	271	2,764	2,594
Public education and awareness		4,415	119	4,534	4,240
Total charitable activities		11,082	390	11,472	10,721
Governance costs	6	136	-	136	158
Total resources expended		11,557	390	11,947	11,233
Net income, being net movement in funds	7	(316)	(14)	(330)	549
Fund balances brought forward		3,963	240	4,203	3,654
Fund balances carried forward	13	3,647	226	3,873	4,203

There were no recognised gains or losses for 2014 or 2013 other than those included in the Statement of Financial Activities. All activities are continuing. The Notes on pages 23 to 35 form part of these Financial Statements.

The Fairtrade Foundation

Balance Sheet as at 31 December 2014

	Notes	2014 £ 000	2013 £ 000
Fixed assets			
Tangible assets	9	303	364
Current assets			
Stock		27	33
Debtors	10	4,327	5,029
Cash at bank and in hand		2,330	1,270
Total current assets		6,684	6,332
Liabilities			
Creditors: amounts falling due within one year	11	(2,870)	(2,198)
Net current assets		3,814	4,134
Total assets less current liabilities			
		4,117	4,498
Creditors: amounts falling due after one year	11	(129)	(180)
Provision for liabilities and charges	12	(115)	(115)
Net assets	14	3,873	4,203
Funds			
	13		
Unrestricted funds			
General funds		2,407	2,370
Designated funds		1,240	1,593
Total unrestricted funds		3,647	3,963
Restricted funds		226	240
Total funds	14	3,873	4,203

The financial statements were approved and authorised for issue by the Board of Trustees on 24 June 2015 and were signed below on its behalf by



Michael Jary
Chair of the Board
24 June 2015

The Notes on pages 23 to 35 form part of these Financial Statements.

The Fairtrade Foundation

Cashflow Statement for the year to 31 December 2014

	Notes	2014 £ 000	2013 £ 000
Net cash inflow from operating activities	15	1,326	581
Returns on investments and servicing of finance			
Interest received		5	8
Interest paid		-	(25)
		<u>5</u>	<u>(17)</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(269)	(207)
Receipt from loss of tangible fixed asset		-	1
		<u>(269)</u>	<u>(206)</u>
Financing			
(Decrease) in short term borrowings		(2)	(484)
Increase/(decrease) in cash in the year	15	1,060	(126)

The Notes on pages 23 to 35 form part of these Financial Statements.

The Fairtrade Foundation

Notes to the Financial Statements for the year ended 31 December 2014

1 Accounting Policies

1.1 Basis of preparation of accounts

The financial statements have been prepared in accordance with the Companies Act 2006, Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2005), applicable United Kingdom accounting standards, and under the historic cost convention.

The financial statements are prepared on the going concern basis as the trustees consider that the charity will continue in operational existence for at least 12 months from the date of approval of the financial statements. Further information is given in the Report on page 13.

1.2 Company status

The charity is a company limited by guarantee. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member.

The charity is the UK member of Fairtrade International (FI).

1.3 Fund accounting

Restricted funds arise from grants and donations given to the 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 13.

Unrestricted funds include the general funds of the Foundation 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.

Designated funds comprise unrestricted funds that have been set aside by the trustees for particular purposes. The aim and use of each designated fund is set out in Note 13.

1.4 Incoming resources

All incoming resources are included in the Statement of Financial Activities (SOFA) when the charity is legally entitled to the income, is reasonably certain of receipt 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 is the independent consumer guarantee of a better deal for producers in the developing world. The fees cover the costs of monitoring and audit to ensure compliance with Fairtrade standards and contribute to the costs of public education and awareness raising work. Fees are calculated as a percentage of the products' wholesale value and are largely invoiced quarterly in arrears. Monitoring and auditing of UK licensees is undertaken directly by the Foundation, while producer and trader certification is the responsibility of FLO-CERT, who receives a proportion of the Foundation's licence fee income to pay for this activity.

Income from the **sale of awareness-raising items** is included when received or when invoiced, whichever is the earlier. To help promote Fairtrade, the Foundation sells a range of merchandise to supporters. All display the FAIRTRADE Mark prominently and help promote the Fairtrade message at supporter events around the country. As their sale contributes directly to the promotion of the Fairtrade message it is judged that the activity qualifies as primary purpose trading. These promotional items are sold on to supporters to cover the costs of production, processing and a contribution to overheads. The activity is seen not so much as a device to raise funds but rather to raise profile and awareness whilst covering costs. For this reason the cost of these items is included in the Statement of Financial Activities as part of charitable expenditure to promote public awareness.

1.5 Resources expended

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 5.

Costs of generating funds include all costs incurred in raising funds from, and reporting back to, government, 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.

Certification and licensing costs include the monitoring and audit of supply chains, both in the UK and internationally, of products licensed to carry the FAIRTRADE mark.

Market development covers establishing and maintaining licence agreements and relationships with companies producing and distributing Fairtrade products and major retailers.

Producer and product support is the cost of developing new products and Fairtrade standards, including the establishment of supply chains and assisting new producers to enter Fairtrade, and support provided directly to producer groups and their regional networks.

Public education and awareness are the activities funded to promote knowledge and awareness of the FAIRTRADE mark and the need for Fairtrade in the interests of disadvantaged producers.

Governance costs 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.

1.6 Tangible 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) to write off the cost of fixed assets over their useful lives on a straight line basis starting in the year of acquisition.

1.7 Stock

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

1.8 Pensions

All staff employed by the Foundation were eligible for membership of the Growth Plan and the Unitised Ethical Plan occupational pension schemes operated by the Pensions Trust until 31 March 2014.

From 31 March 2014 all staff were eligible for membership of a defined contribution group personal pension plan.

Both schemes were contributory (the Foundation paid up to 10% 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 19.

1.9 Operating leases

Instalments on operating lease contracts are charged to the Statement of Financial Activities on a straight line basis over the lease life.

1.10 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 £18,000 (2013: £23,000).

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

1.11 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.

1.12 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.

2 Donations

	Unrestricted £ 000	Restricted £ 000	2014 Total £ 000	2013 Total £ 000
Triodos Bank Fairtrade Saver Account	6	-	6	6
Other donations	75	18	93	108
Total donations	81	18	99	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% 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 Grants

	Unrestricted £ 000	Restricted £ 000	2014 Total £ 000	2013 Total £ 000
<i>Member grants</i>				
Shared Interest Foundation	-	5	5	5
<i>Other grants</i>				
Comic Relief				
Special Initiative	-	-	-	77
Extending Fairtrade Gold to Africa	-	212	212	269
Department for International Development				
Programme Partnership Agreement (PPA)	750	-	750	750
European Commission				
EC Cotton Procurement	-	43	43	197
EC Vote4Fairtrade	-	22	22	17
Big Lottery Fund				
Women in Coffee	-	6	6	-
Fairtrade International				
Contribution to banana hired labour evaluation	-	67	67	-
Impetus Trust	-	-	-	50
The Co-operative Group (CWS) Limited	-	-	-	49
Other smaller grants	7	2	9	9
Total other grants	757	352	1,109	1,418
Total grants	757	357	1,114	1,423

4 Other incoming resources from charitable activities

	Unrestricted £ 000	Restricted £ 000	2014 Total £ 000	2013 Total £ 000
Cross border sales administration fees	39	-	39	31
Consultancy fees	191	1	192	69
Other fees and royalties	91	-	91	3
Total other incoming resources from charitable activities	321	1	322	103

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.

5 Resources expended

	Direct staff costs £ 000	Other direct costs £ 000	Support costs £ 000	2014 Total £ 000	2013 Total £ 000
Costs of generating funds	186	20	133	339	354
Charitable activities					
Certification and licensing	608	559	439	1,606	1,556
Market development	1,067	774	727	2,568	2,331
Producer and product support	430	2,037	297	2,764	2,594
Public education and awareness	1,446	2,067	1,021	4,534	4,240
Total charitable activities	3,551	5,437	2,484	11,472	10,721
Governance costs	53	49	34	136	158
Total resources expended 2014	3,790	5,506	2,651	11,947	11,233
Total resources expended 2013	3,274	5,620	2,339	11,233	

Other direct costs and support costs include payments made to Fairtrade International eV, FLO-CERT GmbH and other National Fairtrade Organisations around the world. Membership contributions of £1.829 million (2013:£1.565 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. From 2014 the membership contribution includes Producer Certification Fund contributions, a fund created by Fairtrade International in 2011 to help small farmers' organisations pay for their Fairtrade certification. In 2013 this contribution was paid via FLO-CERT.

Certification fees of £273,000 (2013:£280,000) are payable to FLO-CERT, an independent certification company offering Fairtrade certification services.

Producer network contributions of £332,000 (2013: £332,000) are distributed to producer networks by Fairtrade International. Contributions of £357,000 (2013:£229,000) were made to the system-wide project fund which was created by Fairtrade International in 2013 to fund projects with a global benefit.

Global account management fees of £nil (2013: £56,000) are charged by Fairtrade International when they manage the contract with a licensee on behalf of National Fairtrade organisations. 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 £22,000 (2013:£19,000).

Support costs of £2.6 million (2013:£2.3 million) have been allocated across activities. Facilities costs have been allocated 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.

	Management	Human Resources	Finance	Information Technology	Administration	Facilities	2014 Total	2013 Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Costs of generating funds	12	26	18	30	9	38	133	139
Charitable activities								
Certification and licensing	38	86	57	99	28	131	439	355
Market development	67	151	100	174	49	186	727	686
Producer and product support	27	61	41	70	20	78	297	251
Public education and awareness	92	204	136	236	67	286	1,021	876
Total charitable activities	224	502	334	579	164	681	2,484	2,168
Governance costs	3	7	5	9	2	8	34	32
Total support costs 2014	239	535	357	618	175	727	2,651	2,339
Total support costs 2013	203	439	375	556	191	575	2,339	

6 Governance costs

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

	2014	2013
	£ 000	£ 000
Direct costs		
Trustee expenses	6	17
Fees payable to charity's auditors for the audit of the Charity's annual accounts	16	18
Other governance costs	27	43
Staff costs	53	48
Total direct costs	102	126
Allocation of support costs	34	32
Total governance costs	136	158

No remuneration was paid to trustees in the year (2013:nil). Trustee expenses relate to travel expenses reimbursed for attendance at Board and subcommittee meetings, other meetings at the Foundation and external events to represent the Foundation. £6,000 (2013:£17,000) was reimbursed to five trustees (2013:11 trustees). The Foundation meets the airfare, hotel and subsistence costs of the producer representatives while they are in the UK attending Board meetings.

7 Net Income

Net income is stated after charging:

	2014	2013
	£ 000	£ 000
Depreciation of fixed assets	330	272
Fees payable to charity's auditors for the audit of the Charity's annual accounts for the current year	16	18
Fees payable to charity's auditors for the audit of the charity's annual accounts for the prior year	(2)	-
Fees payable to charity's auditors for other services to the charity	9	2
Operating lease rentals and service charge: land & buildings	626	615

8 Staff Costs

	2014	2013
	£ 000	£ 000
Wages and salaries	4,024	3,583
Employer's national insurance costs	406	383
Employer's pension contributions	350	209
Other staff costs	-	5
Agency staff	28	43
Staff costs	4,808	4,223
Staff recruitment costs	106	86

Number of employees whose emoluments fell within the band:	2014	2013
£60,000 - £69,999	4	-
£70,000 - £79,999	1	1
£80,000 - £89,999	-	1
£90,000 - £99,999	1	-

The Foundation's highest salary was 3.9 times the lowest salary during 2014, in line with our policy to ensure the highest salary is no more than 5 times the lowest salary. Contributions in the year for the provision of defined contribution pension schemes to higher paid staff were:

	2014	2013
	£ 000	£ 000
	40	7

The average number of full time equivalent staff employed by the Foundation during the year by team was as follows:

	2014	2013
Executive directorate	5	5
Commercial relations	32	28
Product Integrity	12	13
Policy and public affairs	9	9
Public engagement	24	24
Fundraising	5	5
Support and administration	20	18
Total full time equivalent staff	107	102

9 Tangible Fixed Assets

	Office equipment £ 000	Fixtures and fittings £ 000	Software £ 000	Total £ 000
Cost at 1 January 2014	236	235	1,142	1,613
Additions	4	2	263	269
Disposals	(27)	-	-	(27)
At 31 December 2014	213	237	1,405	1,855
Depreciation at 1 January 2014	186	235	828	1,249
Charge for period	21	1	308	330
Disposals	(27)	-	-	(27)
At 31 December 2014	180	236	1,136	1,552
Net book value at 1 January 2014	50	-	314	364
Net book value at 31 December 2014	33	1	269	303

10 Debtors and accrued income

	2014 £ 000	2013 £ 000
Licence fee debtors	1,678	1,464
Accrued licence fee	1,490	2,340
Amounts due from Fairtrade International and other National Fairtrade organisations	688	590
Other debtors	32	94
Prepayments and accrued income	439	541
Total debtors due within one year	4,327	5,029

11 Creditors

Creditors: amounts falling due within one year	2014 £ 000	2013 £ 000
Trade creditors	487	459
Amounts due to Fairtrade International and other national Fairtrade organisations	1,614	1,060
Shared Interest interest payable*	-	2
Social security and other taxes	526	430
Other creditors	3	41
Accruals	240	206
Total creditors due within one year	2,870	2,198

Creditors: amounts falling due after one year	2014 £ 000	2013 £ 000
Accruals	129	180
Total creditors due after one year	129	180

* Until 31 December 2013 the Foundation had a credit facility with Shared Interest Society Limited. The interest payable on the facility was £nil (2013:£2,000).

12 Provision for Liabilities and Charges

	Provision at 1 Jan 2014 £ 000	Charged to SOFA £ 000	Provision released £ 000	Provision at 31 Dec 2014 £ 000
Dilapidations	115	-	-	115
Total provision	115	-	-	115

13 Fund Movements

	Funds at 1 January 2014 £ 000	Income £ 000	Expenditure £ 000	Transfers between funds £ 000	Funds at 31 December 2014 £ 000
Restricted Funds					
Producer and product support					
Extending Fairtrade gold to East Africa	169	212	(229)	-	152
Producer support	20	18	(10)	-	28
Growing women in coffee	-	6	(7)	-	(1)
Banana impact research	-	67	(25)	-	42
Total	189	303	(271)	-	221
Public education and awareness					
EC Cotton procurement	3	43	(46)	-	-
EC Vote4Fairtrade	(1)	21	(21)	-	(1)
Smallholder advocacy research	49	-	(43)	-	6
Fair Comment	-	1	(1)	-	-
Morel Trust	-	3	(3)	-	-
Shared Interest	-	5	(5)	-	-
Total	51	73	(119)	-	5
Total restricted funds	240	376	(390)	-	226
Unrestricted Funds					
Designated Funds					
Pension deficit fund	253	-	(22)	(231)	-
Investment fund	976	-	(289)	250	937
Fixed asset fund	364	-	(330)	269	303
Total designated funds	1,593	-	(641)	288	1,240
General funds	2,370	11,241	(10,916)	(288)	2,407
Total unrestricted funds	3,963	11,241	(11,557)	-	3,647
Total funds	4,203	11,617	(11,947)	-	3,873

Description of funds

Restricted Funds

Extending Fairtrade gold to East Africa

2014 was the third year of a three-year project funded by Comic Relief to extend the benefits of Fairtrade certification to artisanal and small-scale miners in East Africa. The Fairtrade Foundation is working with partners in East Africa, including Fairtrade Africa, and Europe to improve working conditions and livelihoods at nine mining communities in Uganda, Tanzania and Kenya by introducing responsible mining and organisational practises in line with the Fairtrade standard for gold and precious metals. In 2014 the project included exchange trips for selected miners to visit Fairtrade certified tea and coffee farms in the region, to witness the workings of a certified organisation and learn about the benefits that Fairtrade can bring.

Producer support

The Foundation raises funds for Producer Support through the Fairtrade Innovation Fund. The Fairtrade Innovation Fund is supported by public donations and supports new producers to benefit from Fairtrade as well as projects that deepen impact for current Fairtrade producers. We provide donors with bi-annual updates. Funds received in 2014 have provided support for coffee producers, including Fairtrade Foundation staff travelling to source to support coffee producers and a round table meeting with producers and their representatives in Peru. In addition, the Dine with a Difference fundraising campaign encouraged individuals to host dinner events using Fairtrade ingredients and to have attendees make a donation to support Fairtrade's work with Fairtrade Africa to support female coffee farmers in Kenya.

Growing women in coffee

In late 2014 we were awarded a three year grant by the Big Lottery Fund which aims to improve the livelihoods of women coffee farmers in West Kenya. The income and expenditure in 2014 was largely in relation to planning and drafting the full grant proposal.

Banana impact research

This is funding from Fairtrade International towards an evaluation and baseline data collection for Fairtrade bananas in plantation contexts.

EC Cotton Procurement

"Cotton on to Fairtrade", a three year European Commission funded project running from 2011-2014, targets members of the public and procurement professionals. This intervention is a collaborative project involving partners in France, Ireland, the UK and Belgium; each operating in their national spheres to encourage public sector bodies to procure Fairtrade cotton. Activities enacted by the Fairtrade Foundation in 2014 focused on the production of materials for procurement professionals, including a procurement guide. Activities have focused on building industry ties and developing written and film materials which raise awareness of Fairtrade cotton products for use in the UK and also by our project partners across Europe.

EC Vote4Fairtrade

The project "Advocating together for EU Fair Trade policies", also known as "Vote4FT" is a multi-partner project running from 2013-2015 in 16 EU Member States. Capitalising on the European Parliament elections in May 2014, the project aims to coordinate fair trade awareness-raising and advocacy efforts across Europe before, during and after the elections to increase support for fair trade, and ensure a coherent approach in approaching EU citizens, EP candidates and decision-makers. Ultimately, the goal is to place a public debate on the situation of marginalised producers in the global South at the heart of EU policy-making. The Fairtrade Foundation's project resources were mostly focused on supporting the Producer Tour. Four producers from Uganda, St Lucia, Malawi and Costa Rica came to the UK for a Fairtrade Fortnight Producer Tour and attended almost 100 events across the UK which directly reached an estimated 7,210 people. Their stories were further shared among the communities through informal grassroots networks, social media and wide local media coverage. The Fairtrade Foundation has also launched 'Vote for Fair Trade' web page on its website and started sharing producer testimonials through social media channels.

The deficit of £1,000 on this fund arose as the European Commission do not provide full funding in advance; the deficit will be cleared when the project is successfully completed.

Smallholder advocacy research

Two grants from the Co-operative Group (CWS) Limited helped fund research pieces which began in 2013. The first research piece explores new and emerging donor approaches – including the New Alliance for Food Security and Nutrition – and seeks to understand how these will affect smallholder farmers in practice. The key output will be a published report which will support and add to ongoing policy dialogue with donors and other policy makers on the themes of smallholders and co-operatives. The second research piece is a more focused study which seeks to identify the main barriers that women smallholder farmers face in becoming members of Fairtrade co-operatives, and to then better understand how Fairtrade can respond to these challenges.

Designated Funds

Pension deficit fund

The Foundation had a potential liability arising within the Pension Trust Growth Plan scheme. In 2013 £253k was placed in a designated fund which was the approximate amount of the debt as estimated by the Pensions Trust. On 31 March 2014 the Foundation withdrew from the scheme and has now settled all related liabilities; therefore this fund is no longer required. Further details are provided in Note 19.

Investment fund

There are a number of projects that the Foundation is considering that require resources and which could improve the lives of producers through increasing the impact and effectiveness of the Foundation and the movement as a whole. Seven projects were active in 2014 and the rest of the funds will be allocated to projects in the coming years. These are typically projects which are considered necessary but are difficult to effectively fundraise for, such as IT or systems improvements.

In 2014 £250,000 was transferred from general funds to the Investment Fund for this purpose.

Fixed asset fund

This fund represents the depreciated cost of fixed assets used by the Foundation in its work.

The transfer to the Fixed Asset Fund represents the fixed asset additions in the year (see Note 9).

14 Analysis of fund balances held as at 31 December 2014

	General £ 000	Designated £ 000	Restricted £ 000	Total £ 000
Tangible fixed assets	-	303	-	303
Current assets	5,521	937	226	6,684
Current liabilities	(2,870)	-	-	(2,870)
Long term liabilities	(129)	-	-	(129)
Provisions	(115)	-	-	(115)
Fund balance at 31 December	2,407	1,240	226	3,873

15 Notes to the cashflow statement

Reconciliation of net income/(expenditure) to operating cash flow

	2014 £ 000	2013 £ 000
Net income	(330)	549
Interest receivable	(5)	(8)
Interest payable	-	23
Depreciation charge	330	272
Decrease in stock	6	17
Decrease/(increase) in debtors	702	(644)
Increase in creditors excluding short term borrowings	623	364
Increase in provisions	-	8
Net cash inflow from operating activities	1,326	581

Analysis of net funds			
	Balance at 1 January 2014	Cashflow movement	Balance at 31 December 2014
	£	£	£
Cash at bank and in hand	1,270	1,060	2,330
Net funds	1,270	1,060	2,330

16 Financial commitments under operating leases

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

	2014	2013
	£ 000	£ 000
Land and buildings – leases expiring:		
Within 1 year	-	-
In years 2 to 5	511	511
Total	511	511

17 Share capital

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

18 Related parties

The Fairtrade Foundation is one of the 21 National Fairtrade Organisations that are members of Fairtrade International (formerly Fairtrade Labelling Organisation International eV), the umbrella organisation based in Germany that is responsible for the international standards that underpin Fairtrade. FLO-CERT GmbH is the independent body for certifying adherence to the standards by producers. As a National Fairtrade Organisation, the Fairtrade Foundation pays membership fees to Fairtrade International and FLO-CERT and also sources external funds for Fairtrade International's work from third party donors. Details of the fees paid to Fairtrade International and FLO-CERT are given in Note 5. In addition income of £257,000 was received from Fairtrade International (2013:£70,000) for services provided by the Foundation and £11,000 paid to FLO-CERT (2013:£21,000) for additional services provided to or on behalf of the Foundation. At the year-end a net balance of £392,000 (2013: £140,000) was due to Fairtrade International and £354,000 (2013: £457,000) was due to FLO-CERT.

As explained in the Structure, Governance and Management section of the Report of the trustees, up to six trustees are appointed by the members of the Fairtrade Foundation. During the year, three trustees were employees of member organisations: Patricia Alexander (Shared Interest Society Ltd), Elizabeth May (Traidcraft) and Barney Tallack (Oxfam International).

The Foundation purchased £2,500 (2013: £1,000) of food supplies directly from the licensee Traidcraft PLC, the parent company of Traidcraft Exchange, for use in the office and to support a Foundation staff initiative to operate a regular Fairtrade products stall within the Foundation's office. Traidcraft Exchange is a charity of Traidcraft plc, a licensee company which pays licence fees to the Fairtrade Foundation on the sales of Fairtrade marked products.

Chief Adam Tampuri (Fairtrade Africa) and Arun Ambatipudi (Network of Asian Producers) are representatives of regional Fairtrade producer groups that were on the Board of the Foundation during the year.

19 Pension funds

The Pensions Trust pension scheme (Growth Plan Series 3)

All staff employed by the Fairtrade Foundation were eligible for membership of a pension scheme operated by The Pensions Trust until 31 March 2014 when the Foundation withdrew from the scheme.

The scheme was a multi-employer plan and a money purchase arrangement. The Pensions Act 2011 has retrospectively amended the definition of a money purchase scheme and as a result of the change in legislation, Growth Plan Series 3 is now categorised as a “defined benefit” arrangement rather than a “defined contribution” arrangement as previously.

In 2013 the amount of the employer debt on withdrawal liability for the Foundation was estimated by the Pensions Trust to be £253,000; therefore this amount was placed in a designated fund in order to be able to satisfy the debt. However, when this liability crystallised on 31 March 2014 the actual debt on withdrawal was negotiated down to £21,000.

The Foundation was one of several contributors to the scheme and was unable to identify its share of the scheme’s assets and liabilities on a consistent and reasonable basis, as required by FRS 17 Retirement Benefits, so the scheme continues to be accounted for in these financial statements as if it were a defined contribution scheme. The accounting charge for the year therefore represents only the Fairtrade Foundation’s employer contributions payable.

The Fairtrade Foundation paid total contributions during 2014 of £42,000 (2013: £248,000). The Plan Trustee also required additional contributions from participating employers. The Fairtrade Foundation’s contribution was £1,000 per annum.

Defined contribution scheme

Since 1 April 2014 the Foundation has contributed towards a defined contribution scheme. The cost of this scheme is charged to the Statement of Financial Activities and amounted to £288,000 (2013:£nil). It did not give rise to any provisions/reserves.

The Fairtrade Foundation

Reference and administrative information

Legal status

A company without share capital limited by guarantee, registered number 2733136.

Registered address

3rd Floor, IBEX House
42–47 Minories
London, EC3N 1DY

Registered charity number

1043886

Directors/Trustees

Patricia Alexander ACA ¹ (Treasurer)	Resigned October 2014
Arun Ambatipudi	Appointed in September 2011
Didier Dallemagne ³	Appointed October 2014
Melissa Duncan ¹	Resigned October 2014
Paul Farthing ¹	Appointed October 2014
Jane Frost ⁴	Appointed June 2014
Michael Jary (Chair) ^{1 3 4}	Appointed August 2013
Elizabeth May ⁴	Appointed December 2013
Simon Maxwell	Resigned October 2014
Rebecca Rowland ¹	Appointed January 2013
Elizabeth Sideris ³	Appointed October 2014
Nabilai Suma ²	Appointed January 2013
Barnaby Tallack ³	Appointed January 2013
Chief Adam Tampuri	Appointed January 2013
Paul Thompson (Treasurer) ¹	Appointed June 2014

Independent committee members

John Dalby ²	
Richard Gough ¹	Resigned September 2014
Karen Hetherington ²	
Maria Standingford ^{1 3}	Resigned September 2014
Hannah Turner ²	
Simon Wright ²	

¹ Member of Finance and Audit Committee (formerly known as Executive Committee)

² Member of Certification and Assurance Oversight Committee (formerly known as Certification Committee)

³ Member of Remuneration Committee

⁴ Member of Nominations Committee

Senior Management

Michael Gidney	Chief Executive
Tim Gutteridge	Chief Operating Officer
Barbara Crowther	Director of Policy and Public Affairs
Ashish Deo	Director of Commercial Relations – resigned August 2014
Martyn Dicker	Director of HR and Organisational Development – resigned October 2014
Cheryl McGeachie	Director of Public Engagement
David Meller	Director of Product Integrity
John Rew	Director of Finance & IT
Euan Venters	Director of Commercial Relations – joined Nov 2014

Company secretary

Tim Gutteridge

Member organisations

Banana Link
CAFOD #
Christian Aid #
Methodist Relief and Development Fund
National Federation of Women's Institutes #
Nicaragua Solidarity Campaign
Oxfam #
People & Planet
Scottish Catholic International Aid Fund (SCIAF)
Shared Interest Foundation
Soroptimist International of Great Britain and Ireland
Tearfund
Traidcraft Exchange #
Commitment for Life/United Reformed Church
World Development Movement #
National Campaigner Committee

indicates founder member status

Bankers

CAF Bank Ltd
Kings Hill
West Malling
Kent
ME19 4TA

The Co-operative Bank
King's Valley
Yew Street
Stockport
Cheshire
SK4 2JU

HSBC
31 Holborn Circus
London
EC1N 2HR

Triodos Bank NV
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Auditor

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St. Bride's House
10 Salisbury Square
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