



The Fairtrade Foundation

# Annual Report And Financial Statements

For the year ended 31 December 2013

**The Fairtrade Foundation**

3<sup>rd</sup> Floor, Ibex House, 42-47 Minories, London EC3N 1DY

Tel: **020 7405 5942** Fax: **020 7977 0101**

email: [mail@fairtrade.org.uk](mailto:mail@fairtrade.org.uk) website: [www.fairtrade.org.uk](http://www.fairtrade.org.uk)

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# The Fairtrade Foundation

## Trustees Report (incorporating the Report of the Directors) For the year ended 31 December 2013

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 2013. The Reference and Administrative Information on pages 34 and 35 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, health care or 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 Fairtrade:

- **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.
- **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 2013.

## **Strategic Report**

### **Achievements and Performance in 2013**

#### **Goal 1 - Increase impact and sales for producers**

##### ***Overall targets***

Ensuring continued market access is central to delivery of impact for producers, and Fairtrade sales continued to perform strongly in the UK despite a continually challenging economic climate. Sales of Fairtrade products in 2013 exceeded an estimated retail value of £1.7bn, a 12% increase on 2012 and on track towards our target of over £2bn sales in 2015. However, it is volumes of sales rather than retail value that provide a more useful indicator of producer market access, and these increased by 14%. This means that the UK market generated £26m of premium to producers for investment in their own business and community development priorities, an increase of £2.7m over 2012, and on track to achieve our target of £31m by 2015.

##### ***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 2013, our strategy focused on our core priorities of coffee, tea, bananas, cocoa and sugar, and achieving deeper impact and stronger business partnerships in existing products, rather than introducing new product categories.

**Coffee** is a well established Fairtrade category, and sales grew slightly during 2013, showing a 4% increase over 2012 despite a challenging climate with relentless price promotions. This delivered in excess of US\$7.3m in Fairtrade premiums to farmers in 2013. Overall, Fairtrade coffee represented about 8% of the overall market in 2013, but is much more prevalent in roast and ground (27% of market) than instant (3%). New impact materials were developed with several coffee producer organisations in Central and South America. A series of brochures and films now show how farmers are investing in a range of social, environmental and economic development programmes from tree nurseries to combat 'coffee rust' disease in Honduras to coffee processing facilities and women's empowerment in Nicaragua.

**Tea** also remains a challenging market for producers, with many brands competing via fierce price promotions, and sales experiencing a slight 4% decline. Despite this, UK sales delivered an estimated US\$5m in premiums back to farmers' organisations in 2013. We are pleased that Fairtrade tea retains commitments from several retailers, especially Sainsbury's, Coop, Waitrose and M&S, including own label and stocking other Fairtrade tea brands such as Cafedirect and Clipper. At the producer end, 2013 saw the launch of new work with Fairtrade International to establish living wage benchmarks in key tea origins such as Malawi, building on the review of our Hired Labour Standard, recognising that in many countries legal minimum and industry agreed wage levels in tea remain far below that required to deliver a sustainable livelihood for growers and pickers.

**Bananas** remain a flagship product for Fairtrade, and in 2013 sales with the FAIRTRADE Mark increased by 9% in volume, to achieve a 35% market share by value, according to Nielsen (4 January 2013). Based on a Fairtrade premium of US\$1 per 18.14kg box, we estimate the UK market delivered US\$11.3m back to banana growers over and above the stability they achieve through the Fairtrade price mechanism. In 2013, we initiated research into distribution of value through banana supply chains to assess the potential to create a fair banana industry in the UK, and laid the foundation for a major campaign in 2014.

Sales of **Fairtrade cocoa** rose 25% in 2013, compared with 2012, with growth led by Fairtrade certification of Kit Kat 2 Finger in Fairtrade Fortnight 2013, as well as the first full year of sales of Maltesers, which converted in mid-2012.

As well as a commitment by Morrisons to stock Fairtrade sugar, chocolate conversions also fuelled healthy growth in **Fairtrade sugar** sales, up 25% on 2012. These generated an estimated US\$9.3m to growers in countries including Malawi, Zambia, Swaziland, Belize, Fiji, Guyana and Paraguay. In 2013, Fairtrade Foundation also lobbied and campaigned on behalf of producers in the African, Caribbean and Pacific Group of States (ACP) during the reform process for the EU Sugar Regime.

With the abolition of European sugar beet quotas by 2017 now posing a threat to future market access for cane producers, work to win financial support for these origins, enabling them to diversify and find alternative markets will continue in 2014.

Sales of **Fairtrade wine** (up 27%), **flowers** (up 18%) and **vegetables** (up 316%, although still relatively small in volume overall) were all further indication of continued business and public appetite for Fairtrade in 2013.

**Fairtrade cotton** sales declined again significantly in 2013, due to changes in ranges made by stockists and retailers. Supply chain issues enabling West African producers to connect to the UK market, and the cost of certifying a fully traceable supply chain for cotton are key issues the Foundation, with its partners globally, are seeking to address in order to halt the decline and enable sales to grow for producers again.

Having initially launched **Fairtrade gold** in 2012, the global joint labelling agreement with the Association for Responsible Mining ended in 2013, and we transitioned to a Fairtrade gold label. To unlock more sales for artisanal miners, the Fairtrade Foundation developed and introduced a new scheme enabling more small independent jewellers to use Fairtrade certified gold through purchasing via certified traders. Meanwhile, through our partnership funded by Comic Relief, we continued to develop the work to extend Fairtrade certification to artisanal miners in East Africa. An innovative producer exchange between artisanal miners and long standing Fairtrade coffee producers in Tanzania was one of the highlights of 2013.

***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 Fairtrade International development of new Fairtrade Sourcing Programs for cocoa, sugar and cotton, to be launched publicly in 2014. 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. The Fairtrade Foundation supported research on potential producer impact and producer support models, as well as conducting market research as part of building this programmatic approach. In the UK, the first focus will be on cotton, which will contribute to our ambitious aim of tripling volumes by the end of 2015.

We continue to provide a range of certification and networking opportunities for businesses working with the Fairtrade system. Our Commercial Conference in July brought together business leaders from 69 different companies and Fairtrade also had a presence at a range of trade shows such as the London Coffee Festival and Caffe Culture during 2013.

Many companies with whom Fairtrade work already do much more to support their Fairtrade producer partners, beyond the core Fairtrade standards. In 2013, Fairtrade focused on sharing insight and good practice on the issue of strengthening relationships with smallholder farmer organisations. In February we held a roundtable event in partnership with KPMG which was attended by about 60 external guests many of whom were key influencers in sustainable sourcing from businesses (e.g. Tate & Lyle, M&S and Cafedirect) and also NGOs and government to coincide with the publication of a new report "*How businesses are going further to make international supply chains work for smallholder farmers*".<sup>1</sup> The new report showcased the insights from a number of companies, and stimulated lively debate on a range of topics, such as how to make the business case for investment, how to improve supply chain transparency and mutual accountability, and creating the right financial tools for working with smallholders.

Strengthening the position of women in producer organisations and supply chains was another key theme the Foundation started to focus on in 2013, and we supported the Fair Trade Organisation TWIN on a new report outlining the gender-related issues and solutions at 14 producer groups in Ghana, India, Malawi, Nicaragua, Peru and Rwanda. The report was published in October 2013 at a joint Fairtrade/TWIN roundtable seminar with UN Women, with producers from Malawi, Ghana, Uganda, Nicaragua as well as the producer network coordinators from the CLAC and Fairtrade Africa.

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<sup>1</sup> A full report of this event is on the Fairtrade Foundation's website at [http://www.fairtrade.org.uk/for\\_business/events/kpmg\\_smallholder\\_event\\_postconference\\_page.aspx](http://www.fairtrade.org.uk/for_business/events/kpmg_smallholder_event_postconference_page.aspx)

Representatives from more than 25 businesses, NGOs, government partners and other ethical initiatives with interest in gender, supply chain and development issues took part in the event. As part of our ongoing commitment on this issue, the Foundation also invested funds to ensure a gender perspective is researched as part of Fairtrade International's current cocoa impact research in West Africa. We are delighted to report that gender empowerment is integrated into the next stage of Fairtrade International's Programme Partnership Agreement with DFID for 2014-16, which we hope will enable the further spread of good practice in tackling women's rights and empowerment in Fairtrade supply chains.

As part of this deepening business commitment agenda, we have strengthened our engagement with Fair Trade Organisations. In 2012, we adopted an agreed strategy with the UK FTOs, including the establishment of a joint development fund to drive further innovation with producers, and learning platforms to further support, encourage and enable FTOs to tell their unique story to consumers and bring the benefits of Fairtrade to the most marginalised farmers and workers.

## **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 meant not just that 78% of the UK public recognise the FAIRTRADE Mark, the highest awareness of any ethical label, but also that they have opportunities to learn about Fairtrade's impact and to campaign for wider trade justice. By the end of 2013, 365,000 Fairtrade supporters had signed up via mailing lists and social media networks. This was well in excess of our 2013 target, and keeps Fairtrade Foundation on track towards half a million supporters by the end of 2015.

Importantly, our consumer research revealed that 51% of adults say they prefer to choose Fairtrade when buying items such as coffee, tea or bananas.

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

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

### ***We achieved:***

We have supported the establishment of a South West campaigns network which has won funding for its own part-time coordinator. Support for regional and national events was given in 2013 to the South East, Wales, Yorkshire, and West Midlands which resulted in the election of 4 members to our National Campaigner Committee.

A highlight of 2013 was the national Supporter Conference in October, which brought together over 340 delegates from across the UK in a day of inspiring producer talks from Fairtrade Africa and the Windward Islands and a lively debate about abolishing unfairness in the global banana trade.

Our National Campaigns Committee (NCC) plays a vital link updating, inspiring and galvanising the regions and offering a critical voice into the Foundation. 2013 was a year of transition for the NCC, from a voluntary advisory group to a committee of representatives elected by fellow campaigners in their regions and Nations. The NCC was accepted as a member organisation of the Foundation at the end of 2012, making it eligible to nominate the four places on the Board allocated to our member organisations. Becca Rowland, from the South East region and formerly Chair of the NCC, became a Trustee in January 2013 and as well as her professional business background, brings a useful campaigner perspective to our strategic thinking. Meanwhile Sue Bentley, from the Eastern Region, became the new Chair of the NCC.

Our campaigns groups grew from 8,600 in 2012 to 9,123 by the end of 2013 exceeding our target of 9,000. Investing in future generations of Fairtrade supporters and campaigners is one of our priorities,

so it was good to see this growth was fuelled by schools engaging with Fairtrade. In August, St Maxentius Primary School in Bolton became the 1,000<sup>th</sup> Fairtrade School, and there were 1,079 Fairtrade Schools by the end of the year, and a total of 6,013 schools registered with the scheme. With over 5,000 schools in the system but not yet having achieved the Fairtrade School Award, in 2013 we reviewed the whole scheme. The new approach, due to be launched in early 2014, was enthusiastically welcomed during the testing phase.

Overall our individual supporter numbers grew from 200,000 in 2012 to 365,000 by the end of 2013. This exceeded our target for the year, and means the Fairtrade Foundation is on track to have half a million supporters by 2015. With such large numbers of people connecting to the Foundation, a major project began in 2013 to strengthen our supporter systems, so that we can better understand who our supporters are, and tailor our communications effectively according to their needs and interests in Fairtrade. This work is continuing into 2014.

Looking online, the number of web users across the various Fairtrade sites (including our main website, Facebook, Twitter and YouTube) increased 40% to a total of 1.4 million versus just over 1 million in 2012. The number of people following the Fairtrade Foundation on Facebook increased by an impressive 38% to 81,711, although fell short of our 2013 target to reach 100,000. On Twitter, our followers retweeted stories and news 5,805 times during the year, again exceeding the target we originally set for the year of 4,500.

***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.
- 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:***

With a growing public focus on the future of our food, the launch of our three-year Make Food Fair campaign at the start of 2014 could not have come at a better time. The 'horsemeat' scandal provided a springboard for our own concern about the broken food system, launching with a focus on smallholders during Fairtrade Fortnight. A new report *Powering Up Smallholder Farmers to Make Food Fair* offered a five-point agenda for government, business and donor action. The online petition calling on the Government to adopt our five principles in support of smallholders in trade was signed by 12,204 people. We joined forces with The Cooperative Group in May to hand in the petition at No 10 Downing Street on World Fair Trade Day in May with a photocall and media interest. We were then pleased to notice that the Secretary of State for International Development, Justine Greening MP, included recognition of smallholders in a speech in March. The International Development Select Committee also took up a number of our points and cited the Fairtrade Foundation in its own report, which then solicited a further response from DFID in June. Parliamentary questions also elicited further replies from the International Development Minister responsible for trade, Alan Duncan, who said Fairtrade is a way 'to ensure the supply chain delivers benefits for poor people'.

The Fairtrade Foundation was listed in the top 10 of MHP Political superbrands in 2013, following a survey of parliamentarians.

With an edgier political agenda, we achieved greater media coverage for Fairtrade Fortnight than in 2012, including the main broadsheet newspapers, the Sun picture of the day and Mail Online. Our Fortnight campaign media work achieved an audience reach (i.e. the number of people reading the newspapers or listening to radio programmes) of almost 169 million, and an equivalent advertising value of £3.9 million.

Food remained on the political agenda during 2013, and the Fairtrade Foundation was one of a number of organisations who joined forces in the *Enough Food For All...IF* campaign, which

campaigned on a number of issues including investment into nutrition and agriculture, land grabbing, and fair tax payment in developing countries. As part of the campaign, the Fairtrade Foundation worked with CAFOD to ensure that people also had the opportunity to think about the food on their own plate – encouraging people to consider Fairtrade, organic, local and seasonal produce, animal welfare, eating less meat and avoiding food waste.

Campaigning for justice in food trade was also the theme of the Fairtrade Foundation's stand at the *BIG IF* event in Hyde Park, which took place in advance of the G8 Summit in Lough Erne. Campaigners were invited to support small-scale sugar cane farmers in the Africa, Caribbean and Pacific (ACP) countries in the face of changes to the European Union sugar regime, and specifically the abolition of quotas for European sugar beet production which are likely to lead to increased local production to the detriment of developing country sugar cane farmers. Research indicates that 200,000 families may end up back in poverty as a result. Despite intensive lobbying, sugar beet quotas will be abolished by 2017, and the Foundation continues to work with others to lobby for investment to support the farmers who will be worst affected.

Moving to the autumn, our focus turned to hot drinks and coffee was the theme for our Autumn Campaign in which the stand up comedian Tony Law took a member of the public named Hannah to a mystery coffee producer location, and the public was invited, via a series of video clips and clues, to guess where they were. Over 20 companies, including Cafedirect, Starbucks, Cooperative, Greggs and caterer Sodexo, joined in with the innovative *Finding Hannah* campaign and promoted it to their own customers. The campaign was also the first to use the new international campaigning platform The Power of You. Through the films, people could learn about Fairtrade coffee and how their purchase has an impact for the producer.

The Fairtrade Foundation published 'Branching Out', the second of a series of Malawi impact studies examining five Fairtrade-certified organisations. We also supported Fairtrade Africa with the launch of the report in Malawi, with key producers, traders, government and NGOs.

Following a media review at the end of 2012, the Fairtrade Foundation adopted a new media strategy in 2013, recognising the fast changing world of media in general, and the wider public climate which is currently more focussed on domestic concerns. This provides new opportunities but also challenges, resulting in a decline in traditional print and broadcast coverage for Fairtrade. As well as adopting an edgier agenda, one key focus for 2013 was to boost Fairtrade's digital media presence, recognising the shift from traditional print and broadcast to online and social media, and the constant interaction of these. A new Fairtrade Press Twitter feed was also launched to complement the core @FairtradeUK feed, enabling the team to interact more quickly and effectively with journalists, and for media interested in Fairtrade to have easy access to news, reactions or commentary from the Foundation as it breaks. Monitoring of our digital activity showed an audience reach of 4.1bn, exceeding our 2013 target of 3.4bn by 20%.

2013 also saw the start of a new media partnership with the Guardian Sustainable business site supply chain hub. Launched in Fairtrade Fortnight 2013, nearly 200,000 unique visitors visited the hub, and 24,000 unique visitors to the Partner Zone which hosts Fairtrade Foundation-generated content. These made Fairtrade the best performing site in the whole of the Guardian Sustainable Business. The media team continued a steady stream of news and outreach to journalists, with 120 lifestyle magazine journalists attending our two press days in July. We also had a broad range of coverage and invitations for comment on a wide range of Fairtrade related subjects, for example Colombian banana workers, sugar CAP reform, and a hard-hitting Oxfam tea report. We responded to a negative story about tea estates in Kenya, and also secured positive gold and coffee coverage in the broadsheets following a press trip. We published articles about the price wars, secured coverage for a gold miners' conference and a Guardian podcast with our Chief Executive Michael Gidney generated over 1,000 listens.

### **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:***

The development of our first Annual Social Impact Report was an internal process in 2013, discussed with Trustees and presented at the AGM in October. This provided a useful learning platform, to enable the Fairtrade Foundation to put in place the tools and monitoring to move to full publication of a Social Impact Report in 2014.

Fairtrade Foundation staff and volunteers are committed and passionate, and investing in staff development is a critical strategy for ensuring we are both effective and impactful in the work we do. We invested over double the 2012 expenditure on staff development in 2013. A new brochure for staff, '*Your Development*', encouraged all staff to be proactive in identifying their learning and development needs and take advantage of a range of core training courses. All managers at the Foundation now move through a new management training and leadership programme. A new induction programme, '*Welcome Workshops*', was launched with trustees as well as staff participating.

We had previously identified the need for senior leadership in IT and finance. John Rew was recruited into the new Director of Finance and IT and started to identify the priorities for IT and systems development. Our main customer-facing core business system, LASer, is the main way that companies wishing to license products or update their product certification and packaging artwork interact with us. Improving this system to make it easier, faster and simpler to use is a top priority, and fixes we introduced in 2013 included a new high speed internet connection for the external interfaces. In parallel a process review was kicked off to inform the future licensing system development.

Meanwhile the Foundation now has hundreds of thousands of supporters amongst members of the public, from local campaign organisers to school contacts to local council contacts or ordinary individuals interested in Fairtrade. Understanding our supporter base, and tailoring our communications to what they need, and are likely to want in future is also a key priority. In 2013, a consultant was commissioned to review our supporter data and make recommendations in 2014.

In 2013 we supported Fairtrade Africa in the launch of the new Fairtrade East Africa, which will be a conduit for regional Fairtrade market development, by seconding a member of our Commercial team to Nairobi as part of the core team.

We continue to work with Fairtrade International to support the development of artisanal Fairtrade gold, and hosted an international workshop and conference in London bringing together the industry, representatives of miners' organisations and partners. We continue to work, with support from Comic Relief, on the expansion of Fairtrade gold for African artisanal miners, seconding a member of staff for this purpose.

Fairtrade Foundation continues to play an active role in Fairtrade International's Impact Assessment Working Group – supporting the strengthening of the global Monitoring, Evaluation and Learning programme. The Foundation's Senior Research and Impact Manager was seconded to work with the global team to develop our MEL strategy, and played an important role in the development of Fairtrade International's Theory of Change, published at the end of 2013, which critically involved producer organisations in the adoption of Key Performance Indicators. This has been extremely well received so far.

We support the vision of a globally united Fairtrade system and are working to build cohesion amongst the National Fairtrade Organisations (NFO). We have played a proactive role in international meetings of NFO Directors to build joint strategies, avoid duplication, delegate responsibilities for common themes and agree plans for joint training and development in the future.

We are on a robust financial footing. We met our licence fee and reserves targets but fundraising remains challenging, in particular raising funds for the UK. We led on fundraising proposals to support our international work, for example to support coffee farmers in Kenya, and worked closely with Fairtrade International to submit a proposal for an extension of our DFID Programme Partnership Agreement (PPA), which we heard was successful in early 2014.

## Plans for 2014 and Beyond

2014 is the second 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. Below is a summary of our plans for 2014 and beyond.

### Goal 1 - Increase impact and sales for producers:

- Our targets for 2014 are to achieve £1.88bn sales and £29m premium and our focus will continue to be to grow and protect core products.
- Bananas will be a major focus in 2014. Building on research we carried out in 2013, year two of Make Food Fair aims to create a fair banana industry through challenging the retailer price wars which keep the prices of bananas too low and highlighting the cost of sustainable production.
- Our focus in sugar will be to protect current UK volumes and open up new markets in southern Europe, speciality sugars in the EU and 'South-South' trading. We will 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.
- In tea our focus is to protect and to deliver a living wage pilot in Malawi which should result in increased sales in 2015.
- We will implement the new Fairtrade Sourcing Program (FSP) model in cotton with the aim of tripling volumes by 2015.
- In cocoa we will aim to increase sales under the current model and also carefully consider whether to implement the new FSP model.
- 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:

- Our targets for 2014 are to increase our supporter numbers to 400,000 and importantly develop a more sophisticated understanding of our supporters to enable them to push for deeper change. Over 50% of people will be actively choosing Fairtrade.
- A new edgier, challenging, campaign than previous years, Make Bananas Fair will be a major focus during the year through Fairtrade Fortnight with a petition to Vince Cable challenging the unsustainable supermarket prices to be handed in during World Fairtrade Day in May. This will be underpinned by robust policy research into the bruising price wars in bananas.
- 2014 is also our 20<sup>th</sup> Anniversary year which will be celebrated throughout the year and culminate in a multi-stakeholder conference to replace the supporter and commercial conferences.
- Taking on board feedback from research in 2013 concerning schools' engagement in Fairtrade, we will launch a new schools' scheme which will allow greater flexibility and options for becoming a Fairtrade school. This will result in a significant increase in schools achieving Fairtrade status.
- We will also further engage through our campaigns with our faiths, towns and university groups by developing new materials. We will further support the regionalisation of towns work through appointing regional coordinators and forums. We will continue to support the international towns movement with a conference to be held in Bristol in 2015.

- Impact communications remain a key priority and 2014 will see the implementation of our new impact communications strategy.

### **Goal 3 – Cultivate an inspiring and effective organisation:**

- Our target for 2014 is to increase our staff engagement to 70% (from 65% in 2013).
- We will also publish our first full Annual Social Impact report, continue to develop a learning organisation culture and invest further in improving our systems and processes.
- We will continue to invest in Learning & Development (increasing the 2013 budget by 25%) and prepare for Investors in People accreditation.
- A significant area of work in 2014 is to progress pay & reward including pension auto-enrolment and benefits communications. We will also introduce succession planning & improved performance measures.
- Improving systems and processes remains a key focus in 2014-15. This will include improving the recording of licensees' forecasts and sales to provide more comprehensive, timely and accurate management information and increasing computer performance by replacing slow and outdated computers.
- We will also maintain healthy finances through:
  - A focus on core products
  - Diversification of our income
  - Prioritising fundraising of grants from foundations: firstly for projects in the UK and secondly to support international fundraising efforts. We will also continue to build a positive relationship with DFID delivering more impact for producers through our renewed DFID PPA commencing in April 2014 for two years. We will develop fundraising from individuals and "high net worths" to support campaigns (e.g. Fairtrade Fortnight).

### **Financial Review**

Total incoming resources for the year increased slightly from £11.7 million to £11.8 million. However the principal component of income, the licence fee charged to companies carrying the FAIRTRADE Mark on their products, increased by 8% to £10.1 million. Sales continue to follow a long term growth trend, which has seen licence fee income increase by 63% over the five years from 2008, when it was £6.2 million.

Other measures of sales performance are annual sales volume and wholesale value of Fairtrade products – which increased in 2013 by 14% and 12% respectively.

Grant income reduced in 2013 from £2.0 million to £1.4 million due to some of the major grants coming to an end. We were not successful in bids to secure new grant funding to further the work of Fairtrade around the world and we are now reviewing our fundraising strategy to see how we might diversify and increase our income.

Grant income came primarily from the Department for International Development (DFID) and from Comic Relief. The four year DFID Programme Partnership Arrangement (PPA), which began in April 2010, is payable to Fairtrade International with some funds coming to the Fairtrade Foundation to help build more in-depth support for Fairtrade and international development from the UK public. DFID have shown their support for the work of Fairtrade by renewing the PPA for another two years, starting in April 2014.

The Comic Relief Special Initiative grant for the 'Fairtrade for Development in Africa' project continued supporting innovations in communicating about Fairtrade to the UK public as well as supporting work

by Fairtrade Africa, Fairtrade Label South Africa and Fairtrade International, and incorporated a supplementary grant to ensure that the interests of Fairtrade and vulnerable producers in general are represented in national and international policy forums related to climate change. In addition a Comic Relief grant supporting the development of small scale artisanal gold miners in Africa to access Fairtrade benefits continued.

Other grant funding came from the European Commission for work in support of cotton procurement across Europe and also to place a public debate on the situation of marginalised producers in the global South at the heart of EU policy-making.

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 42% from £196,000 in 2012 to £114,000 in 2013. We received one exceptional donation in the first quarter of 2012 that accounts for the majority of the decrease. The Foundation would like to thank all the individuals, community groups and companies who have made very valuable donations in support of Fairtrade in 2013.

Resources expended increased by 6% to £11.2 million. At the end of 2012, the Foundation undertook a review to align the organisation with the new strategy and to improve efficiency where possible. Changes to team structures led to vacancies continuing into 2013 and therefore salaries costs were less than had been budgeted.

Charitable expenditure accounted for 95% of the charity's expenditure in 2013, with Fundraising and Governance making up only 5% between them. Expenditure on Public Education and Awareness increased substantially, by 27% to £4.2 million. This was a combination of factors, partly a greater investment in staffing and activities by the Foundation, partly an increase in grants made and partly reflects a larger proportion of membership fees payable to Fairtrade International being used for education and awareness. The cost of Certification and Licensing fell in the year by 11% to £1.6 million. Market Development and Producer and Product Support stayed relatively level year on year.

Total funds increased by £0.5 million to £4.2 million. This included a surplus in unrestricted funds of £906k, with General Funds increasing by £315k to £2.4 million. Designated funds increased by £591k to £1.6 million. The surpluses arose from savings made against expenditure budgets and have allowed for some funds to be designated for projects that need funding over the medium term. The General Funds target for the end of the year of £2.1 million was exceeded with funds being kept at a level that the Trustees felt reflected the risks facing the Foundation. Restricted Funds decreased from £597k to £240k with 2 large grants coming to the end of their lives.

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 Trustees have reviewed the reserves policy as at 31 December 2013 and 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 2013 of the financial implications of these risks provides a target level of £2.0 million for the coming year (2012: £1.7m);
- 2) A reserves target of at least three months' unrestricted running costs is calculated. In December 2013 this target was calculated to be £2.2 million for the coming year, based on the 2014 budget (2012: £2.1m).

The target set for the end of 2013 of £2.1 million was achieved, with General Reserves reaching £2.4 million, equivalent to 16 weeks of operational expenditure. £70k was added to the Designated Pension Deficit Fund based on the latest estimate from the Pensions Trust of the Foundation's potential liability. £650k was added to the Designated Fund for Investment, which continues to fund strategic projects over multiple years. 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 decreased in the year to £1.3 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.

The target level for General Funds is to achieve and maintain the higher of the two target levels, therefore £2.2 million for the end of 2014. The 2014 budget was set to ensure that reserves would remain above this level.

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 2015 the Trustees will balance the need to guard against risks facing the Foundation and opportunities to use reserves to fund specific projects. There are a number of projects that require funding.

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 scandals 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 35.

### **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 firsthand 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.

- 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 Executive Committee, Certification Committee, Nominations Committee and Remuneration Committee.

The Executive Committee consists of three Board members and three independent specialist advisers, one on personnel issues, one on finance matters, and one on strategic matters. The committee 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 papers on strategic issues before they are submitted to the full Board.
- Monitor the development and implementation of human resource strategies and policies
- Undertake the functions of a finance committee, including:
  - Reviewing drafts of financial policies, budgets and annual accounts before they go to the Board for formal approval.
  - To meet with 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.

The Certification 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,
- 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 HR and Organisational Development, 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;
- 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.

## Acknowledgements

Fairtrade is one of the most successful social change stories 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 100 volunteers helped in the Fairtrade office at some time during the year and provided an estimated 2,067 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 2013, David Clayton-Smith and Deborah Doane resigned as trustees and 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 the Foundation itself. Michael Jary took up the role of Chair of the Board of Trustees following David Clayton-Smith's departure. The growth of Fairtrade reported in these accounts is testament to the hard work of all these stakeholders.

This report was approved by the Trustees of the Fairtrade Foundation on 25 June 2014, including, 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  
25 June 2014

# **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 2013 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes numbered 1 to 19.

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 2013 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

N. Hashemi

Naziar Hashemi  
Senior Statutory Auditor  
For and on behalf of  
**Crowe Clark Whitehill LLP**  
Statutory Auditor  
London

7/7/14

# The Fairtrade Foundation

## Statement of Financial Activities for the year to 31 December 2013

### (Including the Income and Expenditure Account)

		2013	2013	2013	2012
	Notes	Unrestricted £ 000	Restricted £ 000	Total £ 000	Total £ 000
<b>Incoming resources</b>					
<i>Incoming resources from generated funds</i>					
Donations	2	83	31	114	196
Grants	3	800	623	1,423	1,965
Investment income		8	-	8	8
<i>Incoming resources from charitable activities</i>					
Licence fees		10,096	-	10,096	9,382
Sale of awareness-raising items		38	-	38	47
Other incoming resources from charitable activities	4	103	-	103	129
<b>Total incoming resources</b>		<b>11,128</b>	<b>654</b>	<b>11,782</b>	<b>11,727</b>
<b>Resources expended</b>					
	5				
Costs of generating funds		354	-	354	326
Charitable activities					
Certification and licensing		1,556	-	1,556	1,752
Market development		2,331	-	2,331	2,401
Producer and product support		2,028	566	2,594	2,566
Public education and awareness		3,795	445	4,240	3,347
Total charitable activities		9,710	1,011	10,721	10,066
Governance costs	6	158	-	158	186
<b>Total resources expended</b>		<b>10,222</b>	<b>1,011</b>	<b>11,233</b>	<b>10,578</b>
<b>Net income, being net movement in funds</b>	7	<b>906</b>	<b>(357)</b>	<b>549</b>	<b>1,149</b>
Fund balances brought forward		3,057	597	3,654	2,505
<b>Fund balances carried forward</b>	13	<b>3,963</b>	<b>240</b>	<b>4,203</b>	<b>3,654</b>

There were no recognised gains or losses for 2013 or 2012 other than those included in the Statement of Financial Activities. All activities are continuing. The Notes on pages 21 to 33 form part of these Financial Statements.

# The Fairtrade Foundation

## Balance Sheet as at 31 December 2013

Registered Company Number: 2733136

	Notes	2013 £ 000	2012 £ 000
<b>Fixed assets</b>			
Tangible assets	9	364	429
<b>Current assets</b>			
Stock		33	50
Debtors	10	5,029	4,385
Cash at bank and in hand		1,270	1,396
<b>Total current assets</b>		<b>6,332</b>	<b>5,831</b>
<b>Liabilities</b>			
Creditors: Amounts falling due within one year	11	(2,198)	(2,499)
<b>Net current assets</b>		<b>4,134</b>	<b>3,332</b>
<b>Total assets less current liabilities</b>			
Creditors: Amounts falling due after one year	11	(180)	-
Provision for liabilities and charges	12	(115)	(107)
<b>Net assets</b>	14	<b>4,203</b>	<b>3,654</b>
<b>Funds</b>			
	13		
<b>Unrestricted funds</b>			
General funds		2,370	2,055
Designated funds		1,593	1,002
<b>Total unrestricted funds</b>		<b>3,963</b>	<b>3,057</b>
<b>Restricted funds</b>		240	597
<b>Total funds</b>	14	<b>4,203</b>	<b>3,654</b>

The financial statements were approved and authorised for issue by the Board of Trustees on 25 June 2014 and were signed below on its behalf by



Michael Jary  
Chair of the Board  
25 June 2014

The Notes on pages 21 to 33 form part of these Financial Statements.

# The Fairtrade Foundation

## Cashflow Statement for the year to 31 December 2013

	Notes	2013 £ 000	2012 £ 000
<b>Net cash inflow from operating activities</b>	15	581	585
<b>Returns on investments and servicing of finance</b>			
Interest received		8	8
Interest paid		(25)	(30)
		<u>(17)</u>	<u>(22)</u>
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(207)	(123)
Receipt from loss of tangible fixed asset		1	-
		<u>(206)</u>	<u>(123)</u>
<b>Financing</b>			
(Decrease) in short term borrowings		(484)	-
<b>(Decrease)/increase in cash in the year</b>	15	<b>(126)</b>	<b>440</b>

The Notes on pages 21 to 33 form part of these Financial Statements.

# The Fairtrade Foundation

## Notes to the Financial Statements

### For the year to 31 December 2013

#### 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 11.

##### 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 previously known as Fairtrade Labelling Organisations International - FLO).

##### 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 SOFA 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 SOFA 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 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% 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 during 2013 were eligible for membership of the Growth Plan and the Unitised Ethical Plan occupational pension schemes operated by the Pensions Trust. The schemes were contributory (the Foundation paid up to 10% of salary depending on the level of the staff member's contribution). Further details are provided in Note 19. Alternatively, the Foundation contributed up to 10% of salary (depending on the level of the staff member's contribution) to approved pension schemes nominated by eligible staff. Pension contributions are charged to the SOFA in the period to which they relate.

## 1.9 Operating Leases

Instalments on operating lease contracts are charged to the SOFA 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 £23,000 (2012: £39,000).

This irrecoverable VAT is included in the appropriate categories of expenditure within the SOFA.

## 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	Restricted	2013	2012
	£ 000	£ 000	Total	Total
	£ 000	£ 000	£ 000	£ 000
Triodos Bank Fairtrade Saver Account	6	-	6	7
Other donations	77	31	108	189
<b>Total donations</b>	<b>83</b>	<b>31</b>	<b>114</b>	<b>196</b>

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	Restricted	2013	2012
	£ 000	£ 000	Total	Total
	£ 000	£ 000	£ 000	£ 000
<i>Member grants</i>				
Shared Interest Foundation	-	5	5	5
United Reformed Church	-	-	-	3
Total member grants	-	5	5	8
<i>Other grants</i>				
Comic Relief				
Special Initiative	-	77	77	515
Climate Change Advocacy	-	-	-	35
Extending Fairtrade gold to Africa	-	269	269	324
Department for International Development				
Programme Partnership Agreement (PPA)	750	-	750	703
European Commission				
EC Cotton Procurement	-	197	197	190
EC Vote4Fairtrade	-	17	17	-
Impetus Trust	50	-	50	30
The Co-operative Group (CWS) Limited	-	49	49	7
Social Action Fund	-	-	-	124
The Staples Trust	-	-	-	25
Other smaller grants	-	9	9	4
Total other grants	800	618	1,418	1,957
<b>Total grants</b>	<b>800</b>	<b>623</b>	<b>1,423</b>	<b>1,965</b>

#### 4 Other incoming resources from charitable activities

	Unrestricted	Restricted	2013	2012
	£ 000	£ 000	Total	Total
			£ 000	£ 000
Cross border sales administration fees	31	-	31	33
Consultancy fees	69	-	69	92
Other fees and royalties	3	-	3	4
<b>Total other incoming resources from charitable activities</b>	<b>103</b>	<b>-</b>	<b>103</b>	<b>129</b>

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

#### 5 Resources Expended

	Direct Staff Costs	Other Direct Costs	Support Costs	2013 Total	2012 Total
	£ 000	£ 000	£ 000	£ 000	£ 000
Costs of generating funds	193	22	139	354	326
Charitable activities					
Certification and licensing	495	706	355	1,556	1,752
Market development	971	674	686	2,331	2,401
Producer and product support	359	1,984	251	2,594	2,566
Public education and awareness	1,208	2,156	876	4,240	3,347
Total charitable activities	3,033	5,520	2,168	10,721	10,066
Governance costs	48	78	32	158	186
<b>Total resources expended 2013</b>	<b>3,274</b>	<b>5,620</b>	<b>2,339</b>	<b>11,233</b>	<b>10,578</b>
Total resources expended 2012	3,438	4,940	2,200	10,578	

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 £1.565 million (2012: £1.466 million) support Fairtrade International's functions in setting the international framework and co-ordination of Fairtrade including the setting and development of Fairtrade standards, supporting producers and traders to match supply and demand, and supporting smallholders and workers participating in Fairtrade.

Certification fees of £280,000 (2012: £260,000) are payable to FLO-CERT, an independent certification company offering Fairtrade certification services. Producer Certification Fund contributions were £172,000 (2012: £187,000); the Fund was created by Fairtrade International in 2011 to help small farmers' organisations pay for their Fairtrade certification.

Producer network contributions of £332,000 (2012: £225,000) are distributed to producer networks by Fairtrade International. Contributions of £229,000 (2012: nil) 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 £56,000 (2012: £77,000) 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 £19,000 (2012: £16,000).

## 5 Resources Expended (continued)

Support costs of £2.3 million (2012: £2.2 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 £ 000	Human Resources £ 000	Finance £ 000	Information Technology £ 000	Administration £ 000	Facilities £ 000	2013 Total £ 000	2012 Total £ 000
Costs of generating funds	12	27	22	33	11	34	139	126
Charitable Activities								
Certification and licensing	31	65	57	84	29	89	355	409
Market development	60	130	111	165	57	163	686	700
Producer and product support	22	48	41	61	21	58	251	236
Public education and awareness	75	162	138	205	70	226	876	691
Total Charitable Activities	188	405	347	515	177	536	2,168	2,036
Governance costs	3	7	6	8	3	5	32	38
<b>Total support costs 2013</b>	<b>203</b>	<b>439</b>	<b>375</b>	<b>556</b>	<b>191</b>	<b>575</b>	<b>2,339</b>	<b>2,200</b>
Total support costs 2012	90	395	319	544	196	656	2,200	

## 6 Governance Costs

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

	2013 £ 000	2012 £ 000
<b>Direct costs</b>		
Trustee expenses	17	16
Fees payable to Charity's auditors for the audit of the Charity's annual accounts	18	18
Other governance costs	43	16
Staff costs	48	98
<b>Total direct costs</b>	<b>126</b>	<b>148</b>
Allocation of support costs	32	38
<b>Total governance costs</b>	<b>158</b>	<b>186</b>

No remuneration was paid to Trustees in the year (2012: Nil). Trustee expenses relate to travel expenses reimbursed for attendance at Board and sub committee meetings, other meetings at the Foundation and external events to represent the Foundation. £17,000 (2012: £16,000) was reimbursed to eleven Trustees (2012: eleven 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:

	<b>2013</b>	<b>2012</b>
	<b>£ 000</b>	<b>£ 000</b>
Depreciation of fixed assets	272	251
Fees payable to Charity's auditors for the audit of the Charity's annual accounts for the current year	18	17
Fees payable to Charity's auditors for the audit of the Charity's annual accounts for the prior year	-	1
Fees payable to Charity's auditors for other services to the Charity	2	4
Operating lease rentals and service charge: land & buildings	615	629

## 8 Staff Costs

	<b>2013</b>	<b>2012</b>
	<b>£ 000</b>	<b>£ 000</b>
Wages and salaries	3,583	3,499
Employer's National Insurance costs	383	375
Employer's Pension contributions	209	219
Other staff costs	5	109
Agency staff	43	26
<b>Staff costs</b>	<b>4,223</b>	<b>4,228</b>
<b>Staff recruitment costs</b>	<b>86</b>	<b>76</b>

Number of employees whose emoluments fell within the band:	<b>2013</b>	<b>2012</b>
£60,000 - £69,999	-	2
£70,000 - £79,999	1	-
£80,000 - £89,999	1	-

The Foundation's highest salary was 3.65 times the lowest salary during 2013, 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:

	<b>2013</b>	<b>2012</b>
	<b>£ 000</b>	<b>£ 000</b>
	7	6

Towards the end of 2012 there was a review of the organisational structure to ensure that the Foundation was working as efficiently and effectively as possible and that its resources were allocated appropriately. This led to changes in activities and to team names. 2012 figures have been adjusted accordingly in the table below. The average number of full time equivalent staff employed by the Foundation during the year by team was as follows:

	<b>2013</b>	<b>2012</b>
Executive Directorate	5	4
Commercial Relations	28	22
Product Integrity	13	15
Policy & Public Affairs	9	9
Public Engagement	24	22
Producer Partnerships & Product Strategy Management	-	5
Fundraising	5	5
Support and administration	18	19
<b>Total full time equivalent staff</b>	<b>102</b>	<b>101</b>

## 9 Tangible Fixed Assets

	Office Equipment £ 000	Fixtures and Fittings £ 000	Software £ 000	Total £ 000
<b>Cost at 1 January 2013</b>	<b>248</b>	<b>235</b>	<b>954</b>	<b>1,437</b>
Additions	19	-	188	207
Disposals	(31)	-	-	(31)
<b>At 31 December 2013</b>	<b>236</b>	<b>235</b>	<b>1,142</b>	<b>1,613</b>
<b>Depreciation at 1 January 2013</b>	<b>194</b>	<b>235</b>	<b>579</b>	<b>1,008</b>
Charge for period	23	-	249	272
Disposals	(31)	-	-	(31)
<b>At 31 December 2013</b>	<b>186</b>	<b>235</b>	<b>828</b>	<b>1,249</b>
<b>Net book value at 1 January 2013</b>	<b>54</b>	<b>-</b>	<b>375</b>	<b>429</b>
<b>Net book value at 31 December 2013</b>	<b>50</b>	<b>-</b>	<b>314</b>	<b>364</b>

## 10 Debtors

	2013 £ 000	2012 £ 000
Licence fees *	3,804	3,286
Amounts due from Fairtrade International and other National Fairtrade Organisations	590	637
Other debtors	94	36
Prepayments and accrued income	541	426
<b>Total debtors due within one year</b>	<b>5,029</b>	<b>4,385</b>

\* Licence fees are invoiced in arrears after the licensee's quarterly returns have been received and verified. Fees invoiced in 2013 and outstanding at the year-end totalled £1.464 million (2012: £1.488 million) with the remaining £2.340 million (2012: £1.798 million) of the debtor balance, representing a provision for fees relating to 2013 sales to be invoiced during 2014.

## 11 Creditors

Creditors: Amounts falling due within one year	2013 £ 000	2012 £ 000
Trade creditors	459	730
Amounts due to Fairtrade International and other National Fairtrade Organisations	1,060	687
Shared Interest loan and interest payable*	2	487
Social security and other taxes	430	406
Other creditors	41	86
Accruals	206	103
<b>Total creditors due within one year</b>	<b>2,198</b>	<b>2,499</b>

Creditors: Amounts falling due after one year	2013 £ 000	2012 £ 000
Accruals	180	-
<b>Total creditors due after one year</b>	<b>180</b>	<b>-</b>

\* The Foundation opened a credit facility with Shared Interest Society Ltd in 2010. The facility allowed the Foundation to borrow up to £500,000 for 5 months and bore interest at the "prime rate" of 7%. The facility was renewed in March 2013 and fully repaid in December 2013. Interest payable during the year was £23,000 (2012: £33,000). At the year end, the balance outstanding on the credit facility was nil (2012: £484,000) plus £2,000 (2012: £3,000) of interest payable for December 2013.

## 12 Provision for Liabilities and Charges

	Provision at 1 Jan 2013 £ 000	Charged to SOFA £ 000	Provision released £ 000	Provision at 31 Dec 2013 £ 000
Dilapidations	107	8	-	115
<b>Total provision</b>	<b>107</b>	<b>8</b>	<b>-</b>	<b>115</b>

### 13 Fund Movements

	Funds at 1 Jan 13 £ 000	Income £ 000	Expenditure £ 000	Transfers Between Funds £ 000	Funds at 31 Dec 13 £ 000
<b>Restricted Funds</b>					
<b>Producer and product support</b>					
Fairtrade for Development in Africa	255	68	(323)	-	-
Extending Fairtrade Gold to East Africa	128	269	(228)	-	169
Producer Support	-	31	(11)	-	20
Cotton Supply Chains Project	4	-	(4)	-	-
<b>Total</b>	<b>387</b>	<b>368</b>	<b>(566)</b>	<b>-</b>	<b>189</b>
<b>Public education and awareness</b>					
Fairtrade for Development in Africa	33	9	(42)	-	-
EC Cotton Procurement	172	197	(366)	-	3
EC Vote4Fairtrade	-	18	(19)	-	(1)
Smallholder Advocacy Research	-	49	-	-	49
Fairtrade Campaigns	5	13	(18)	-	-
<b>Total</b>	<b>210</b>	<b>286</b>	<b>(445)</b>	<b>-</b>	<b>51</b>
<b>Total Restricted Funds</b>	<b>597</b>	<b>654</b>	<b>(1,011)</b>	<b>-</b>	<b>240</b>
<b>Unrestricted Funds</b>					
<b>Designated Funds</b>					
Pension Deficit Fund	183	-	-	70	253
Investment Fund	390	-	(64)	650	976
Fixed Asset Fund	429	-	(272)	207	364
<b>Total Designated Funds</b>	<b>1,002</b>	<b>-</b>	<b>(336)</b>	<b>927</b>	<b>1,593</b>
<b>General Funds</b>	<b>2,055</b>	<b>11,128</b>	<b>(9,886)</b>	<b>(927)</b>	<b>2,370</b>
<b>Total Unrestricted Funds</b>	<b>3,057</b>	<b>11,128</b>	<b>(10,222)</b>	<b>-</b>	<b>3,963</b>
<b>Total Funds</b>	<b>3,654</b>	<b>11,782</b>	<b>(11,233)</b>	<b>-</b>	<b>4,203</b>

### Description of funds

#### Restricted Funds

##### Fairtrade for Development in Africa

The Fairtrade Foundation received the final tranche of the Fairtrade for Development in Africa grant from Comic Relief. The final year of the grant supported capacity building for Fairtrade Africa (the network of producers in Africa), the development of Fairtrade standards relevant to Africa and support on the ground for producers. It also supported the launch of the marketing organisation for Fairtrade products in Kenya. In the UK, the grant supported new media channels to raise awareness of Fairtrade amongst the UK public.

##### Extending Fairtrade Gold to East Africa

2013 was the second 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 2013 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 and the Dine with a Difference campaign. The Fairtrade Innovation Fund is supported by public donations and supports new producers to benefit from Fairtrade and provides donors with bi-annual updates. Funds received in 2013 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. 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.

### **Cotton Supply Chains Project**

Support from TRAIID (Textile Recycling for Aid and International Development) concluded in 2013, for a pilot project working with two small-scale garment factories in India. The goal of this project was to create sustainable supply chains between these factories and 100% Fairtrade Organisations, who would like to source their products from them. The immediate objective for achieving this goal was to support these factories to meet Fairtrade compliance criteria so that they can begin trading under Fairtrade terms. The pilot was successful in pioneering new ways of supporting factories in achieving compliance criteria in a way which ensured workers – as well as management – were deeply embedded in this process. The pilot also established a more applied approach for linking factories with Fairtrade Organisations seeking to purchase garments manufactured using Fairtrade certified cotton.

### **EC Cotton Procurement**

"Cotton on to Fairtrade", a three year European Commission funded project running 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 Fairtrade Foundation in 2013 focused on the production of materials for procurement professionals, including a procurement guide – outlining how public sector organisations can include the production of this first year 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. In the first year, 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 7210 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 £1k 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 cooperatives, and to then better understand how Fairtrade can respond to these challenges.

### **Fairtrade Campaigns**

Support for public campaigning work was received from a range of small Trusts and Foundations supporting activities during Fairtrade Fortnight 2013. Funding support from Shared Interest Foundation supported pioneering work with University students and additional support from the Souter Trust, Tinsley Trust and Paget Trust provided much needed support for the production of digital resources for schools, including films and interactive maps.

### **Designated Funds**

#### **Pension Deficit Fund**

The Foundation has a potential liability arising within the Pension Trust Growth Plan scheme. £253k has been placed in a designated fund which is the approximate amount of the debt as estimated by the Pensions Trust. 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 of the Foundation and the movement as a whole. Five projects were started in 2013 and £650k was transferred to the fund at the end of 2013 to be allocated to more projects.

#### **Fixed Asset Fund**

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

## **14 Analysis of Fund Balances held on 31 December 2013**

	<b>General</b>	<b>Designated</b>	<b>Restricted</b>	<b>Total</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
Tangible fixed assets	-	364	-	364
Current assets	4,800	1,229	303	6,332
Current liabilities	(2,135)	-	(63)	(2,198)
Long term liabilities	(180)	-	-	(180)
Provisions	(115)	-	-	(115)
<b>Fund balances at 31 December</b>	<b>2,370</b>	<b>1,593</b>	<b>240</b>	<b>4,203</b>

## 15 Notes to the Cashflow Statement

<b>Reconciliation of net income/(expenditure) to operating cash flow</b>		
	<b>2013</b>	<b>2012</b>
	<b>£ 000</b>	<b>£ 000</b>
Net income	549	1,149
Interest receivable	(8)	(8)
Interest payable	23	33
Depreciation charge	272	251
Decrease in stock	17	2
(Increase) in debtors excluding receipt from loss of tangible fixed asset	(644)	(484)
Increase / (decrease) in creditors excluding short term borrowings	364	(374)
Increase in provisions	8	16
<b>Net cash inflow from operating activities</b>	<b>581</b>	<b>585</b>

### Analysis of net funds

	<b>Balance at 1 Jan 2013</b>	<b>Cashflow movement</b>	<b>Balance at 31 Dec 2013</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Cash at bank and in hand	1,396	(126)	1,270
<b>Net funds</b>	<b>1,396</b>	<b>(126)</b>	<b>1,270</b>

## 16 Financial Commitments under Operating Leases

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

	<b>2013</b>	<b>2012</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Land &amp; buildings – leases expiring:</b>		
Within 1 year	-	-
In years 2 to 5	511	511
<b>Total</b>	<b>511</b>	<b>511</b>

## 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. Additional costs of £42,000 from Fairtrade International (2012: £14,000) and £21,000 from FLO-CERT (2012: £11,000) were incurred for additional services provided to or work done on behalf of the Foundation.

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, four Trustees were employees of member organisations: Patricia Alexander (Shared Interest Society Ltd), Deborah Doane (World Development Movement), Liz May (Traidcraft) and Barney Tallack (Oxfam International).

The Shared Interest Society Ltd (the parent company of the Fairtrade Foundation's member Shared Interest Foundation) provided the Foundation with access to a credit facility, details of which are given in Note 11. The Shared Interest Foundation provided grant support to the Foundation in the course of the year, details of which are provided in Note 3.

The Foundation purchased £1,000 (2012: £3,000) 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.

The Fairtrade Foundation used Andrum Ltd for consultancy services in 2012 and 2013. David Clayton-Smith, the Chair of the Board of Trustees until mid-2013, is a partner in this company. Costs of £9,000 for training workshop facilitation were incurred in 2013 (2012: £1,000) with Andrum Ltd.

### **19 The Pensions Trust Pension Scheme (Growth Plan Series 3)**

All staff employed by the Fairtrade Foundation during 2013 were eligible for membership of pensions schemes operated by The Pensions Trust. This is 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.

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 latest formal valuation of the Growth Plan Series 3 was performed as at 30 September 2011 and this showed the Plan to have a solvency/buy-out funding level of 77.3% (deficit of £234.3 million overall). Until the recent change in the definition of "defined contribution/money purchase", employers that had only ever participated in Series 3 had no debt liability. However, now that Series 3 liabilities must be included in the calculation of an employer's debt on withdrawal, all participating employers have a debt liability. The Fairtrade Foundation receives quarterly updates from the Plan's actuary on the funding level and its potential employer debt if it were to withdraw from the scheme. The amount of the employer debt on withdrawal liability for the Foundation was estimated by the Pensions Trust to be £253,000. This debt liability will crystallise when the Foundation ceases to employ an active member of the Scheme; therefore £253,000 has been placed in a designated fund in order to be able to satisfy the debt.

The Fairtrade Foundation paid total contributions during the accounting period of £248,000 (2012: £234,000). The Plan Trustee also required additional contributions from participating employers from April 2013. The Fairtrade Foundation's contribution was £1,000 per annum.

## 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 (Treasurer) <sup>1</sup>	Re-appointed in January 2013
Arun Ambatipudi	Re-appointed in December 2012
David Clayton-Smith (Chair) <sup>1 3 4</sup>	Resigned August 2013
Deborah Doane <sup>4</sup>	Resigned August 2013
Melissa Duncan (Vice-Chair) <sup>1 4</sup>	Re-appointed in January 2013
Michael Jary (Chair) <sup>1 3 4</sup>	Appointed June 2013
Simon Maxwell <sup>3</sup>	Re-appointed in March 2013
Liz May	Appointed December 2013
Rebecca Rowland <sup>2</sup>	Appointed January 2013
Nabilai Suma <sup>2</sup>	Appointed January 2013
Barney Tallack <sup>3</sup>	Appointed January 2013
Chief Adam Tampuri	Appointed December 2012

### Independent Committee Members

John Dalby <sup>2</sup>  
Richard Gough <sup>1</sup>  
Karen Hetherington <sup>2</sup>  
Maria Standingford <sup>1 3</sup>  
Hannah Turner <sup>2</sup>  
Simon Wright <sup>2</sup>

<sup>1</sup> Member of Executive Committee

<sup>2</sup> Member of Certification Committee

<sup>3</sup> Member of Remuneration Committee

<sup>4</sup> Member of Nominations Committee

### Senior Management

Mike Gidney	Chief Executive
Tim Gutteridge	Chief Operating Officer
Barbara Crowther	Director of Policy and Public Affairs
Ashish Deo	Director of Commercial Relations
Martyn Dicker	Director of HR and Organisational Development
Cheryl McGeachie	Director of Public Engagement
David Meller	Director of Product Integrity
John Rew	Director of Finance & IT - joined March 2013

## Reference And Administrative Information

### 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  
Brunel House  
11 The Promenade  
Bristol  
BS8 3NN

### Solicitors

Bates, Wells and Braithwaite  
2-6 Cannon Street  
London  
EC4M 6YH

A4ID  
The Broadgate Tower  
20 Primrose Street  
London  
EC2A 2RS

### Auditor

Crowe Clark Whitehill LLP  
St. Bride's House  
10 Salisbury Square  
London  
EC4Y 8EH