



**FAIRTRADE  
FOUNDATION**

# The Fairtrade Foundation

## **Annual Report And Financial Statements**

**For the year ended 31 December 2015**

**The Fairtrade Foundation**

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## **The Fairtrade Foundation**

### **Trustees' Report (incorporating the Report of the Directors) For the year ended 31 December 2015**

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 2015. The Reference and Administrative Information on pages 43 and 44 form part of this report.

#### **Objectives and activities**

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

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

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

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

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

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

#### **Our vision**

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

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

## **Our mission**

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

- being a passionate and ambitious development organisation committed to tackling poverty and injustice through trade;
- engaging business in product and ingredient certification, and in programmes to bring about long term change for farmers, workers and their communities;
- 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**

2015 was the final year of the Fairtrade Foundation's 2013-15 strategy, 'Unlocking the Power of the Many'. This strategy recognised 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 set out three strategic goals for the charity:

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

Trustees review progress against these goals during the year through quarterly reporting against key performance indicators. Review of 2013-14 and significant changes in the commercial operating environment for Fairtrade during 2013-14 led to the revision of some targets in 2015.

## Strategic report

### Achievements and performance in 2015

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

##### *Overall targets*

Ensuring continued market access is central to delivery of impact for producers, and in the midst of a still tough and rapidly changing economic environment (especially in food retail), Fairtrade coffee, cocoa, tea, flowers, bananas, wine and gold all achieved sales growth in 2015. This meant that overall the amount of Fairtrade premiums paid to farmer and worker organisations from UK sales increased from £25.2 million (2014) to reach £29.8 million in 2015.

Price deflation in some categories, plus declines in sugar and cotton sales however, meant that the estimated retail value of Fairtrade product sales in 2015 was £1.6 billion, compared to £1.68 billion the previous year, a decrease of around 5%.

##### *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:*

The actual volumes of products sold on Fairtrade terms by producers, and premiums received on these sales, are the key to improving market access and driving value back to farmers and workers from the UK Fairtrade market.

In 2015, the following important Fairtrade product categories achieved significant volume growth, compared to 2014:

Coffee	+11%
Flowers	+9%
Cocoa	+5%
Tea	+6%
Bananas	+5%

In addition, sales of Fairtrade gold, although still small overall, achieved a 31% increase – from 5,871 grammes sold in 2014 to 7,683 in 2015, contributing to a total precious metals volume of 17,053.

Sales of sugar however declined dramatically by 34% in volume as a result of the rapidly shifting market in Europe and overall decline in sugar prices. As forecast, Fairtrade cotton sales also declined further in the UK in 2015, largely due to two retailers ending their commitment. The Foundation has now secured new commitments, and globally Fairtrade Cotton sales increased by 28%.

The Fairtrade Foundation worked with 388 company licensees and 20 company traders during 2015, **408 companies** in total. 51 new companies signed a licence agreement in 2015, and the same number terminated their licence agreements, mainly for commercially related reasons. The Fairtrade Foundation terminated two licences due to major non-compliances not being addressed, whilst two more companies voluntarily withdrew from Fairtrade after non-compliances were detected during audit.

##### **Significant new developments in engaging with business to sell more Fairtrade products in 2015 included:**

- **Mars UK** committed to sourcing all the cocoa on Fairtrade terms for its flagship brand Mars Bar, launching the new bars in October 2015. The deal delivers 3,500 tonnes of cocoa beans, worth an additional US\$700,000 in premium, on top of the existing benefits of Maltesers which is certified with

the FAIRTRADE Mark. The new commitment is linked to a programme partnership between Mars and named cooperatives in Cote d'Ivoire to improve cocoa quality and productivity;

- **Waitrose** launched a range of own label Fairtrade chocolate bars;
- **Ocado** increased its range of Fairtrade flowers, and **Asda** reintroduced a line of Fairtrade flowers, whilst **M&S, Co-op, Aldi, Sainsbury's, Morrisons and Tesco** all continued to offer them;
- **Transport for London** has committed to sourcing Fairtrade Cotton for all its staff uniforms for the next three years; and
- 198 small jewellers had signed up for **Fairtrade's Goldsmith Registration Scheme** by the end of 2015 (up from 140 in 2014), linking them to importers of Fairtrade Gold.

The Fairtrade Foundation also ran a number of seasonal and product-focussed campaigns with business partners to build awareness of the range of products and encourage purchase. These included:

- **'I Do' Campaign**, focussing on encouraging those getting married to consider Fairtrade gold engagement and wedding rings, with a creative event that achieved national print and online coverage, substantial bridal and wedding media coverage, a dedicated microsite and social media competition;
- **Goodbye to Chocolate** – a digital campaign focussing on what would happen if cocoa farmers disappeared, with a film viewed over 639,000 times across Facebook, YouTube and Vimeo, supported by Green & Blacks;
- **Homemade with Fairtrade** – a series of short videos with Great British Bake Off finalist Miranda Gore-Brown, encouraging people to bake using Fairtrade sugar, in partnership with Tate & Lyle, Waitrose and other companies. The films were viewed over 344,000 times; and
- **World of Workplace Changers** – launched during Responsible Business Week in April 2015, a new, easy way for workplaces to register their support for Fairtrade online and encourage workplace procurements of Fairtrade hot drinks, snacks and other relevant products.

#### **Fairtrade Premiums driving added value for farmers and workers**

Sales of UK Fairtrade products in 2015 delivered an estimated £29.8 million in premiums for farmer and worker organisations, an 18% increase on 2014. This is money in addition to the sale price of the products, for investment in long term improvements. Bananas, cocoa, coffee and tea sales make up 74% of all Fairtrade premiums for farmers.

#### **Impact Case Study: Improving life for banana workers**

In 2015, an impact study by LEI (University of Wageningen) into the impact of Fairtrade for workers on banana plantations in Colombia, Dominican Republic and Ghana found:

- Positive economic impact, from in-kind benefits such as food, housing and educational support on Fairtrade vs non-Fairtrade plantations, although no major differences in basic wage levels;
- An increased sense of job security on Fairtrade plantations;
- A significant contribution to improving standards of living for workers in the Dominican Republic;
- Greater awareness of sexual harassment and grievance policies on Fairtrade plantations, and a greater sense of empowerment and job satisfaction amongst workers;
- A desire for more transparency over the processes for deciding use of Fairtrade premiums, especially in Colombia; and
- A need for more awareness raising about workers' rights.

A particular achievement in 2015 was the work done by Fairtrade to secure greater security for **Haitian migrant workers**, who for years have worked without visas and access to social security in the Dominican Republic. Following advocacy to get the Government to regularise the situation of migrant workers, and supporting the costs using Fairtrade premiums, Fairtrade producer organisations supported workers to get documentation and fill out the registration process – as a result over 84% of Haitian workers on Fairtrade plantations were registered on the National Regularisation Plan by the end of the year.

In Ghana, the Fairtrade Foundation also supported a training programme for worker representatives to improve understanding of **collective bargaining (CBA) processes**, with participants reporting increased confidence and capability to lead such processes with their fellow workers.

**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:**

**Waitrose and Fairtrade driving impact together:** Fairtrade Foundation's partnership with Waitrose made significant progress in 2015, with agreement to work to increase Fairtrade commitments in key commodities, resulting in conversion of Waitrose's Belgian chocolate bar range. Waitrose and the Fairtrade Foundation jointly invested in a project to increase market access and coffee quality for the APPCER coffee cooperative in Brazil, where installation of new drying patios has halved processing time.

**Co-operative Board commits to a new Fairtrade policy:** At the 2015 AGM of The Co-operative a motion reinforcing the importance of Fairtrade was carried with 96% of votes, and led to significant engagement with the Co-operative's buying and product development teams. As a result a new Fairtrade policy recommitments the Co-operative to maintaining 100% Fairtrade in their established categories and going further to explore where increased sourcing on Fairtrade terms can deliver more impact.

**Working with Fairtrade pioneers to pilot new Fairtrade supply chains for producers:** The Fairtrade Foundation has established a Deepening Impact Fund with 100% dedicated Fairtrade organisations. In 2015, we supported **Traidcraft's** work to open up the first Fairtrade rice supply chain for Myanmar, creating small producer organisations and configuring the supply chain, with product expected to be launched in 2016. With **Fulwell Mill (Tropical Wholefoods)**, research was conducted into fruit juice products from West Africa, with a consortium established with Senegalese companies and UK importers. Our support for the pilot contributed to a successful application for a 4-year £400,000 grant from Comic Relief to bring the juice product to fruition. Fairtrade also supported **Divine Chocolate** to develop a sustainable Fairtrade cocoa value chain in Uganda, in which 250 farmers have now received training in pruning and planting, the cooperative internal accountability systems were improved, and the first containers of cocoa were purchased on Fairtrade terms.

**Driving better business and quality for farmers' organisations:** With **Liberation Nuts**, the Fairtrade Foundation co-funded a project to improve transparency and accountability with three Fairtrade Brazil Nut cooperatives and delivered some excellent new communication tools. Another joint project with **M&S** and the coffee roaster **Matthew Algie**, 1,550 coffee farmers in Ethiopia were trained in improved natural drying techniques, and over 100 new drying beds were installed.

**Supporting farmers with climate adaptation:** With **TWIN**, Fairtrade supported a climate adaptation training programme on water conservation resulting in 91% of farmers in the project now adopting best water management practices. In October 2015, Fairtrade International published a **new Climate Standard**, followed by the launch of a new **Carbon Credit programme** in partnership with the Gold Standard. UK retail partner **M&S** is amongst the first companies worldwide to commit to purchase of Fairtrade carbon credits, which will deliver additional resources to support coffee growers in Ethiopia to reduce use of fossil fuels through purchase of clean, efficient cook stoves.

**Promoting an Equal Harvest for Women in Fairtrade:** On International Women's Day, 8 March 2015, with funding support from **The Co-operative Group**, the Fairtrade Foundation published *Equal Harvest*, which highlighted barriers to women's participation and empowerment in Indian cotton, Kenyan tea and Dominican Republic banana smallholder organisations. In partnership with Fairtrade Africa and Fairtrade International, our research with women in Cote d'Ivoire resulted in two new films *Growing Our Cocoa*, *Raising Our Voices* exploring women's empowerment in cocoa farming, made by the women themselves and now being used as part of gender training and programme work. Both pieces of research have been shared and disseminated with a wide range of businesses, NGOs and academic networks and also informed the development of Fairtrade International's new 2016-20 Gender Strategy.

**Sharing Good Practice with Business:** We continued to share good business practice and insight via our partnership with the **Guardian Sustainable Business (GSB)** hub for sustainability and CSR professionals, which has 66,000 network members and now receives 1 million page views per month. The Fairtrade Foundation's Partner Zone continues to be the highest performing sponsor zone, with 82,615 unique users from March to November 2015 and 107,375 page views.

## 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 is a significant contributor to high levels of public awareness for Fairtrade, with research indicating 93% of adults saying they have seen the FAIRTRADE Mark, and 83% saying they trust it. This remains the highest awareness of any ethical label in the UK.

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

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

### **We achieved:**

In the context of overall falling levels of trust in charities, an increasingly competitive ethical landscape, a shift to domestic concerns over international development and growing negative press on international aid, Fairtrade awareness remains relatively high. 93% of UK adults have seen the FAIRTRADE Mark, and 83% said they trust it. 78% of the UK public believe companies should be more ethical than they currently are, and 45% say they buy a Fairtrade product at least once a month (although this is now lower than the peak of 51% in 2010). But the overall public trends pose a major challenge to Fairtrade for the future, and we will have to work harder than ever to ensure our cause remains clear, we can demonstrate impact, and to turn awareness of Fairtrade into positive engagement.

Our links into local communities across the UK are therefore a vital part of our work to reach the public. By the end of 2015, there were a total of 10,753 local Fairtrade campaigning groups in the UK, who have achieved a Fairtrade status award, up from 9,772 in 2014. These include schools, colleges, universities, faith groups, and towns, cities, villages and Boroughs.

- **1,737 Fairtrade schools** having achieved a Fairtrade award (up from 1,480 in 2014), of which 1,143 are at the top level of Fair Achiever, which requires the deepest engagement;
- **8,222 Fairtrade faith groups**, made up of mostly Christian churches and denominational groupings (e.g. dioceses), but also other faith grouping including synagogues, mosques, Hindu temples and gurdwaras;
- **617 Fairtrade towns, cities, villages, boroughs and zones** (up from 601 in 2014); and
- **177 Fairtrade universities and colleges** (no change on 2014).

In 2015, 700 of our most active community organisers attended one of **five regional supporter conferences**, a **national conference** and/or the **international Fair Trade Towns conference** which in 2015 was hosted by the Bristol Fairtrade Campaign, as part of celebrating its European Green Capital status.

In addition to local campaigns, wider regional networks continue to develop and in 2015 work by Fairtrade Yorkshire activists and the launch of the Fairtrade Halifax campaign led to local MPs proposing and establishing **a new All-Party Parliamentary Group (APPG) on Fairtrade**, now supported by members from all political parties. The Foundation continues to work closely with the national Fair Trade campaign coordinating bodies in both Wales (Cymru Masnach Deg) and Scotland (Scottish Fair Trade Forum), and welcomes the ongoing support they receive from the devolved governments in both countries. In 2015, Government ministers in



Sweden proposed making their country a Fair Trade Nation, in part inspired by Wales and Scotland, and their experience is informing the approach to a Swedish campaign.

The Fairtrade Foundation's **National Campaigner Committee (NCC)** enjoys full member status alongside our NGO member organisations. In 2015 their advice and input into our Fairtrade Fortnight plans led to the idea of holding Fairtrade breakfasts across the UK. We also consulted with the NCC and with relevant church-based organisations in 2015 to refresh our approach to working with **churches**, who have been so vital in local campaigns from the very beginning of Fairtrade.

**Fairtrade's supporter base**, following a major cleansing operation, grew from 94,000 to 125,000 individual email subscribers in 2015, an increase of nearly 33%. We have worked to evaluate and test approaches to supporter recruitment and retention, and the impact of our communications in terms of supporter response. We also have an increasing number of people following Fairtrade via **social media**. Our Facebook following grew by 10.8% to 146,000 and on Twitter by 9.6% to 120,000. Our YouTube channel delivered 261,224 video views, and our following on Instagram grew from just 360 in 2014 to 2,000 by the end of 2015. During 2015, we had 862,800 unique visitors to [www.fairtrade.org.uk](http://www.fairtrade.org.uk) with a total of 1.3 million visits, 3.7 million page views and an average of 4 minutes spent on our site per visit. 68% of visitors were new.

Our work with **schools and young people** is one of the fastest growing areas of supporter interest. As well as the schools working on their FairAware, FairActive and FairAchiever Awards, teachers and pupils are delivering thousands of hours of educational activities. Our monitoring indicates each school working on an award engages with around 210 pupils via classroom or whole school activity. We had 86,000 unique visitors to our schools website, and 100,000 downloads and views of our schools films. Fairtrade resources on the Times Educational Supplement site were downloaded 600 times. We have been building our relationship with the Geographical Association, recognising the importance of ensuring relevant curriculum links with Fairtrade.

**Fairtrade Fortnight** remains our flagship event of the year. In 2015, our campaign featured across major media outlets from the Guardian and Independent to TV shows including Countdown, the Right Stuff, Sunday Brunch, This Week, Al Jazeera and BBC Radio 2. There were 2,980 mentions of Fairtrade in digital media and 2,457 in print and broadcast media. The campaign recruited 43,000 new supporters, and 116,000 people visited the campaign website. 4,258 Campaign packs were ordered by local community groups, and 6,000 schools packs were ordered by 3,600 schools. A film shot with producers in Malawi *Fairtrade Matters* was viewed 174,000 times, and following an impromptu appeal following flooding affecting the farmers featured in the film, we received £41,000 in donations.

***We said:***

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

***More specifically we will:***

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

***We achieved:***

In 2015, our **Make Food Fair campaign** continued to highlight the potential damage to long term sustainability of African, Caribbean and Pacific sugar cane farmers from the impact of reform of the EU sugar regime. During Fairtrade Fortnight, a new **Sugar Crash** report and campaign action led to over 6,500 supporters contacting one or more of their MEPs to highlight their concern and call for further transitional support for affected farmers. The issue was also used as a case study for calling for greater policy coherence between UK/EU agricultural, trade and development policies, using the Sustainable Development Goals as a focus. Campaigners also lobbied their constituency MPs, and in the autumn, over 10,000 signed a petition to David Cameron, asking him to

**“Show Your Hand”** in negotiations, and ensure the UK’s own trade and business interests do not undermine global poverty reduction and sustainability goals.

We also led work with Fairtrade International and the Fair Trade Advocacy Office in Brussels, to highlight the importance of pro-poor trade and business models in delivery of the Sustainable Development Goals. A new global briefing **“Fairtrade and the Sustainable Development Goals”** was published, building on the Foundation’s own work, and launched at a well-attended parliamentary panel event in November, at which Fairtrade Africa shared a platform with Sainsbury’s, Cafedirect, MPs and the Minister of State for International Development, Desmond Swayne MP. The Fairtrade Foundation also partnered with Business Fights Poverty network to run a business seminar on implementation frameworks for the SDGs, and again ensured the producer voice was heard at this event. Workshops with local Fairtrade campaigners at regional and national conferences also contributed to raising of awareness of the new Global Goals, laying the ground for future campaigning.

### **Influencing Government**

The Fairtrade Foundation’s policy and advocacy work on issues of **power and distribution of value in supply chains** continued during 2015, for which we secured funding from Esmée Fairbairn Foundation. The focus will be to influence the forthcoming 2016 review of the **Grocery Code Adjudicator** role, including extending the remit beyond immediate suppliers to supermarkets, as this currently excludes most farmer and worker organisations. We re-established a coalition of like-minded organisations including Traidcraft, Sustain network, Friends of the Earth and the National Farmers’ Union to work together to drive this forward.

The Fairtrade Foundation contributed to the consultations leading to the adoption of the **Modern Slavery Act 2015**, both as a member of the Ethical Trading Initiative and independently. Joint lobbying by both civil society organisations and our business partners led to the successful inclusion of a **Transparency in Supply Chains** requirement for businesses with a turnover over £36 million, which came into force from April 2016.

The Department for International Development (DFID) launched a **Civil Society Partnership Review** during 2015, and again Fairtrade Foundation played an active role in consultations, both on and offline, including looking at the role of NGO-private sector partnerships for the future.

### **Communicating Impact**

During 2015, the Fairtrade Foundation significantly increased its communication of Fairtrade impact including:

- A series of short films and presentation materials on **Fairtrade tea**, for use by business and with the public;
- A **cotton briefing** launched as part of Fashion Revolution day, looking at issues affecting the industry as a whole as well as Fairtrade’s approach;
- New resources on **Fairtrade and sustainability**, including an animated short film for use by Fairtrade supporter networks, case studies and presentations for use by business partners; and
- An improved external **Annual Impact Report** microsite enabling better access to the underlying reports, facts, figures and case studies, which received over 10,000 views.

### **Goal 3 - Cultivate an inspiring and effective organisation**

***We said:***

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

We will put into practice learning from our impact and publish social impact reports, available from 2014. We will invest in staff and the working environment and build a learning organisation. We will improve our systems and processes, underpinned by robust information and data to make more informed decisions. We will increase our collaboration internationally and champion development of a global financial and planning model.

## ***We achieved:***

### **A great place to work**

The Fairtrade Foundation continues to invest in staff development and high performance, and in 2015 we retained our bronze level **Investors in People** accreditation. A new online HR system was introduced in 2015 which will provide better management information and staff user experience. We also introduced online recruitment modules and trialled additional recruitment methods, including telephone screening, assessment centres and new pre-interview tasks and exercises. An **Employee Assistance Programme** was introduced and was taken up by a small number of staff.

A full **staff engagement** survey was carried out in January 2016, and revealed an increase in Fairtrade's Employee Engagement score from 70% to 77.5% with an 89% staff response rate. 74% of Fairtrade Foundation employees say the Foundation is a great place to work, up from 67% in 2013.

In 2015 the Fairtrade Foundation automatically enrolled all new, eligible employees into a **Group Personal Pension (GPP) scheme**, with a minimum contribution of 7% from the employer and 2% from the employee. 120 staff are enrolled in the scheme and the opt out rate has been just 3.2%, well below the national average opt out rate of 9%.

The Foundation continues to invest in **Learning and Development**. In 2015, the average number of staff training days per employee was 5, higher than comparable benchmarked organisations (1.8). Opportunities for staff include inductions, management training, performance management, producer visits, study leave support, individual coaching and mentoring and skills workshops (e.g. media, public speaking, presentations, IT, volunteer management).

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

As well as staff, the Fairtrade Foundation provides many opportunities for **internships, work placements and volunteering**. In 2015, volunteers contributed a fantastic 7,143 hours towards the Fairtrade Foundation's work (up from 4,000 in 2014). All volunteers receive travel expenses and lunch vouchers, and in 2015 workshops for volunteers to assist with career advice and job search were also offered.

### **Raising funds to increase our impact**

Company licence fees for certification of products carrying the FAIRTRADE Mark, and new Fairtrade Sourcing Programs, contributed £9.8 million of the Fairtrade Foundation's total income in 2015.

In addition, a total of £1.2 million was received as fundraised income in 2015, which included £245,000 to support Fairtrade Producer networks to deliver work at origin.

The Fairtrade Foundation conducted a major review of its fundraising strategy in 2015, recognising the need to diversify our funding sources, and a new strategy was signed off by the Board in October 2015. A new Fundraising and Programme Director role has been created to take forward the strategy, which includes institutional donors, trusts, public private partnership models and new public fundraising options.

Between 2016 and 2020 the fundraising team will seek to grow total fundraised income to 30% of Fairtrade Foundation's overall income (rising from 15% today). This will be achieved by:

- i) Growing the base of regular givers through an email and online donor acquisition programme led by a new "Public Fundraising Manager" positioned in the Public Engagement directorate. The primary targets will include the 200,000 existing Fairtrade supporters whose contact details are held centrally by the Foundation.
- ii) Launching new funding streams, especially targeting High Net Worth donors and exploring corporate fundraising in its various forms.
- iii) Working internationally (with producer networks, Fairtrade International and other National Fairtrade Organisations) to prospect, approach and acquire funds from new and large

supranational institutional donors (e.g. Gates Foundation) to support large-scale in-origin programmes of work designed and implemented by the Producer Networks.

At the time of writing the fundraising team are not planning to engage in the following areas between 2016 and 2020:

- i) Telephone fundraising, street fundraising or mass unsolicited communications with members of the public currently unknown to Fairtrade (e.g. blanket direct marketing);
- ii) Legacy fundraising;
- iii) Events fundraising (e.g. marathons, dinners, general sponsorship and so on); or
- iv) Expansion of prospecting of grants from small sized trusts and foundations (those giving £10,000 grants or less).

The Foundation is fully aware of the imminent changes related to fundraising practices in line with the recommendations on the future of fundraising self-regulation made by the Etherington Review, which will result in the establishment of a Fundraising Preference Service (FPS) as part of a new fundraising self-regulatory scheme. The Foundation is also aware of the changes to fundraising practices that might be required to adhere to the new EU General Data Protection Regulation (GDPR), which is intended to strengthen and unify data protection for individuals within the European Union (EU).

### **Proving and improving our impact**

Two major research studies were led by the Fairtrade Foundation during 2015. Findings from the LEI (University of Wageningen) research on impact for workers with 1,137 wage workers from both Fairtrade and non-Fairtrade banana plantations are highlighted on page 4. The study aimed to collect a baseline set of data following the launch of Fairtrade's new Hired Labour standard in 2014, and subsequent rounds of data collection and research will better enable us to attribute changes or differences to Fairtrade certification. In line with Fairtrade policies on transparency of information, the full research report and Fairtrade's management response will be published in 2016.

A further study into Fairtrade certification in value chains started in 2015, and is being conducted by IIED and Aidenvironment. This is looking at issues of fairness, power, value and sustainability in a range of banana, flower, tea and cocoa value chains supplying the UK and Germany.

The Fairtrade Foundation continues to work to improve our own impact communications. In 2015, our public annual Impact Report was launched in both print and via an online microsite for the first time, enabling people to dig deeper into the data, reports and case studies. The microsite structure has been used by other Fairtrade organisations, and is contributing to improving our transparency of information.

In 2015, new impact materials on Fairtrade tea in Kenya and Tanzania were developed including presentations and short films for use by tea companies sourcing from these producers, as well as short films for the UK public that were launched in the autumn. With the adoption of the Global Goals for Sustainable Development (SDGs) in the autumn, the Fairtrade Foundation also produced an animated film, a leaflet and case studies explaining sustainability and how Fairtrade contributes to it, based on our Theory of Change.

### **Supporting the global Fairtrade family**

In 2015, Fairtrade Foundation continued to play a proactive and leading role in strengthening the global Fairtrade system. The main focus has been the development of **Fairtrade International's new 2016-20 Strategy**, with a major contribution to strategic directions on building Fairtrade markets and business models, and establishing a global advocacy platform. We seconded a staff member to develop new approaches to **Global Product Management** for core categories, and led the recruitment process for a new global Cocoa Director. The Fairtrade Foundation provided significant leadership in a global project to strengthen **Fairtrade's global advocacy work**, including briefing Fairtrade America and attendance at the UN SDG summit, work on the briefing paper, and consultations with producer networks. We also supported the development of Fairtrade International's new **Gender Strategy 2016-20** and a new global **Communications Strategy Framework**.

The Fairtrade Foundation continues to support the development of **Fairtrade India**, in particular providing the licensing and product certification services, and training local staff in the more complex issues. In 2015 we supported 47 new products, mostly tea and cotton, and new licensee contracts with seven companies, bringing the total in India to 19.

Fairtrade Foundation continues to play a key role in Fairtrade International's **Monitoring, Evaluation and Learning (MEL) programme**, including a Learning Project that has drawn on information from 89 research studies on Fairtrade from 2010-15 to assess our progress against indicators in our Theory of change.

### **Improving Fairtrade certification processes**

We continue to improve our company **licensing and certification** processes and data management, as well as seeking to improve the customer experience for companies working with Fairtrade. In 2015, 408 companies were registered with the Fairtrade Foundation, including 51 companies signing up for certification of new products. 51 companies also terminated their licence agreements, the majority because they were not actively registering or trading Fairtrade products. In 2015, we received 2,972 product applications. 83% of these were replied to within 5 days and 98% were approved. We also received 3,156 requests for approval of packaging artwork, to ensure the FAIRTRADE Mark and any accompanying language is used correctly and accurately. 87% of these were approved.

A major programme was piloted to enable us to replace our existing licensing IT system (known as LASer) with a new integrated platform called CONNECT that is already in use in Belgium, France and the Netherlands Fairtrade organisations. This was successful and will significantly improve our service to company licensees, as well as providing much better data management and reporting. The system will be fully introduced during 2016, when all Fairtrade sales will be reported into this new database.

In 2015, we implemented Fairtrade International's new Trader Standard, working with colleagues globally on compliance criteria and a new audit questionnaire, and the first audits of new Voluntary Best Practices took place.

## **Plans for future periods:**

### **2016-20 Changing Trade, Changing Lives: Fairtrade Can, I Can**

Throughout 2015, staff from across the organisation contributed to the development of the first globally agreed Fairtrade strategy 'Changing Trade, Changing Lives'. The Fairtrade Foundation developed the UK strategy 'Fairtrade Can, I Can' in line with the globally agreed strategic priorities set out in Changing Trade, Changing Lives.

Over the next five years, the Fairtrade Foundation will seek to drive deeper impact, developing new ways of bringing the benefits of trade to marginalised farmers and workers and strengthen consumer demand and commitment to Fairtrade. We have four goals to take us to 2020: Focus on Impact, Make Fairtrade Personal, Improve and Innovate, and Strengthen our Organisation. This means working to create transformational change in Fairtrade's best known products. We will also deepen the emotional commitment to Fairtrade, and to our mission of fighting poverty through trade. We will deliver impact through improved ways of working and innovating new services, and play a lead role in strengthening the international Fairtrade movement.

By 2020:

- We will have increased the volume of our core commodities (cocoa, coffee, bananas, flowers and tea) sold on Fairtrade terms, aiming to make Fairtrade the norm in these products;
- We will have evolved our brand to one that sparks a greater emotional connection with citizens and consumers, increasing our supporter base whilst mobilising our current supporters;
- We will have increased public awareness of the injustice of unfair trading practices, moving the public to act for farmers and workers;
- We will have built and strengthened alliances with policymakers and the media to influence change, amplifying the voices of farmers and workers;

- We will have evolved from a single approach of certifying products to a portfolio of services;
- We will have played a lead role internationally in becoming a simpler, more flexible and cost-effective movement; and
- Fundraising will be integrated into Fairtrade's core, delivering increased and diversified income for the Foundation.

## Planned activities in 2016

2016 is the first year of our new strategy and our major focus will be on strategy implementation, and ensuring we are fit to deliver our new strategic priorities.

- We will protect existing volumes of Fairtrade Cocoa, support the development of the international strategy and the West Africa Cocoa Program.
- We will protect existing volumes of Fairtrade coffee, the development of programmatic work with partners to enable coffee producers to be less vulnerable, and climate resilient, raising suitable funding for project delivery in these areas from 2017 onwards.
- We will protect and grow existing volumes of Fairtrade bananas, and develop programmatic work with partners around living wage to pilot between 2016 and 2018.
- We will protect and grow existing volumes of Fairtrade flowers, developing programmatic work with partners around living wage & gender, raising suitable funding for project delivery in these areas from 2017 onwards.
- Protecting existing volumes of Fairtrade tea and establish the Foundation as the most credible and impactful sustainability organisation with UK tea businesses and consumers. We will be scoping and establishing thematic work around living wage and income and raise suitable funding for project delivery from 2017 onwards.
- We will protect and grow (where applicable) existing volumes of cotton, sugar, wine, and gold.
- We will be investing time in developing a new brand proposition that reinvigorates the Fairtrade brand strength and the public pull for Fairtrade in the UK, creating a more visceral connection to the reality of unfair trading practices, ready for launch in 2017.
- We will build on the new Fairtrade APPG to further our dialogue with government, ensuring that the Foundation has strong cross-party parliamentary support that in turn helps build government support for Fairtrade. We will initiate and develop dialogue with civil servants and ministers, and ensure that the Foundation has strong high level relationship with DFID ministers and key DFID staff that support potential funding.
- We will utilise multiple media channels to grow awareness of and engagement with Fairtrade to maintain top of mind and relevance
- We will deliver high quality impact research evidence to inform learning and accountability; support corporate needs for MEL in learning and planning, and global MEL; Support the fundraising team with MEL advice & input on funding proposals, reporting & evaluation and deliver information and briefing outputs, such as commodity briefings and producer profiles, website resources and content
- We will implement the Info-Centre and Connect applications for all licensees.
- We will deliver impact to producers through programmes and projects developed with Fairtrade Organisations, partnerships with key retailers and accounts and will continue to respond to market conditions by creating innovative new services and products.
- We will carry out a full staff survey, and use the results to develop and improve the organisational and performance culture which is led by our values.
- We will support the 2020 strategic priority to focus for impact through Organisational Development and Design work stream, helping teams to re-align in the transition period to our new strategic goals.

- We will contribute to international projects where we have expertise and capacity and actively contribute to international working groups and projects, including supporting capacity building for Producer Networks to deliver more services locally.
- We will successfully transition and fully implement the new fundraising strategy with associated structural changes to the fundraising team.

## Financial Review

Total incoming resources for the year declined 2.3% from £11.6 million to £11.3 million. Licence fees for certification of products carrying the FAIRTRADE Mark, and new Fairtrade Sourcing Programs, contributed £9.8 million of the Fairtrade Foundation's total income in 2015, also falling 2% from 2014. This reflects the challenging environment of the UK grocery market where retail prices are flat (or falling in some products). The annual wholesale value of Fairtrade products sold in the UK declined by 4% in the year but this was largely due to sugar sales being affected by changes in EU policy. Total wholesale value of Fairtrade products sold excluding sugar was unchanged from 2014.

Licence fees fund most of the Fairtrade movement's activities, including Fairtrade International and the Producer Networks, as well as the work done in the UK on strengthening the Fairtrade brand, building licensee and retailer relationships, promoting Fairtrade in schools, churches and towns, work with the media, campaigning, and developing strategies and action plans to maximise impact in our core categories. The licence fee also funds standard-setting, auditing and productivity, social and welfare-enhancing activities within our extensive producer networks.

In addition, a total of £1.2m was received as fundraised income in 2015, which included £245,000 to support Fairtrade Producer networks to deliver work at origin.

Our **most important institutional funder remains DFID**, who extended Fairtrade International's Programme Partnership Agreement to the end of 2016. This grant supports Fairtrade's work on strengthening Smallholder Producer Organisations, on Workers' Rights, Gender Mainstreaming in Fairtrade and the launch of the new Fairtrade Climate Standard. It also supports our Deepening Impact programme with business and our monitoring and evaluation programme. We also contributed into DFID's Civil Society Partnership Review to explore future long term strategic work with NGOs for 2017 and beyond.

**Comic Relief** continues to provide vital financial support for Fairtrade's work with artisanal small scale miners in East Africa, which has now enabled nine organisations in Kenya, Uganda and Tanzania to work towards certification. In 2015 a four-year £870,000 grant was agreed to extend this ground breaking African gold programme, and improve the safety, cleanliness and productivity of the mining sites, whilst also supporting work to build the market for fair and ethical gold for them to sell to.

The Fairtrade Foundation also secured a new donor in the **Jersey Overseas Aid Commission (JOAC)** in 2015, who have committed £220,000 to support work with sugar farmers in Swaziland affected by the EU market reforms, and will enable them to diversify their activities. JOAC also committed £70,000 in match funding for Fairtrade's Women in Coffee project in Kenya, already being supported by Big Lottery Fund and Guernsey Overseas Aid Commission. This money will secure purchase of biogas units for women, reducing time collecting firewood and providing safer, healthier cooking conditions.

We secured a significant three-year grant from **Esmée Fairbairn Foundation** for policy and advocacy work on Unfair Trading Practices and Competition Law, from the **Allan and Nesta Foundation** for our work in schools and from the **European Commission** for awareness raising work during the 2015 European Year of Development.

In February 2015, although Fairtrade Foundation does not normally launch public appeals, we responded to devastating flooding in Malawi destroying crops and homes of producers featured in our Fairtrade Fortnight campaign. The appeal raised £41,000 to support affected families and organisations. A total of £129k was raised through **public fundraising, from individuals and communities**, including schools, churches and groups.

Resources expended decreased by 8% to £11.0 million. Charitable expenditure accounted for 97% of the charity's expenditure in 2015, with Fundraising being only 3% of the total. The different types of charitable expenditure decreased largely in line with the overall decrease of 8%, but Market Development rose by 3%.

Total funds increased by £0.3 million to £4.2 million. Restricted funds decreased slightly from £226k to £203k. For more information see Note 17 to the Financial Statements.

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

### **Investment Policy and Performance**

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

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

### **Reserves Policy**

The trustees review the reserves policy each year as part of the overall risk management of the Foundation. The target level of General Funds (that is, reserves that are not restricted or designated) is reviewed at regular intervals as part of the annual planning cycle. General Funds are needed for working capital (to fund debtor and other balances) and also to cover any temporary shortfalls in income, unforeseen rises in spending requirements or other financial issues, so that the charity can continue to operate at all times.

The target set for the end of 2015 of £2.4 million was achieved, with General Funds reaching £2.4 million, equivalent to 12 weeks of unrestricted expenditure. This is after £400k was transferred to the Designated Fund for Investment, giving a balance of £1.2 million which continues to fund projects that improve impact and increase efficiencies at the Foundation, for which fundraising is difficult. For example, £210k will be used to enable structural change to deliver the new strategy and £122k will be spent on completing a licensee-facing system replacement project in 2016 that will improve the experience of licensees. Other projects planned for 2016 include a replacement Customer Relationship Management system to support our work with supporters and donors (£114k), brand development work (£50k), living wage review (£30k), community level campaigning research review (£13k) and the fundraising case for support development (£10k). 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 from £2.3 million to £1.6 million. An additional £553k was held on behalf of the Fairtrade movement and is therefore not owned by the Foundation. There are significant fluctuations on cash balances during the year due to the timings of receipts from licensees hence the need for this level of cash balances. Cash flow forecasts are carried out regularly and future cash needs are taken into account when setting reserves targets and budgets.

With changes to the rules on the importing of sugar into the EU coming into effect in 2017, sales of Fairtrade sugar have already been affected and this continues to put pressure on Fairtrade sugar producers and also on the licence fee receivable by the Foundation, hence we are expecting a slight fall in licence revenue in 2016 to £9.7 million. Reserves may be required to bridge a gap between the potential losses of DFID funding and sugar-related licence fee and a new cost base.



The trustees have reviewed the reserves policy as at 31 December 2015. Under the policy two calculation methods are used to guide the trustees on 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 2015 of the financial implications of these risks provided a target level of £1.9 million for the coming year (2014: £1.9m); and
- 2) A reserves target of 12 weeks of unrestricted expenditure is calculated. In December 2015 this target was calculated to be £2.5 million for the coming year, based on the 2016 budget (2014: £2.1m).

The target level for General Funds according to the Reserves Policy is to achieve and maintain the higher of the two target levels, therefore £2.5 million for the end of 2016. In light of the uncertainty in the grocery market and the possible end of DFID funding, the trustees decided to set a small surplus budget for 2016, leading to expected General Funds of £2.5 million at the year end, in line with the Reserves Policy.

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 while ensuring that funds are not tied up unnecessarily. During the planning process for 2017 the trustees will balance the need to guard against risks facing the Foundation and opportunities to use reserves to fund specific projects.

Note 17 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.

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.

### Principal Risks

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

**Competition and innovation** – Fairtrade needs to evolve as the needs of producers, workers and commercial partners change over time. If we do not innovate in the way that we provide services to licensees and retailers we risk Fairtrade being seen as inflexible while other certification schemes could take the place of Fairtrade. We have created a new services and partnerships team that focusses on new ways of working with producers and commercial partners, for example, developing a partnership with the Waitrose Foundation.

For the Foundation specifically there is also the risk of lack of diversity of income, since most income currently arises from licensing. To mitigate this, the Foundation is extending its fundraising work, to bring in new streams of income.

**Governance and structure** – the Fairtrade movement is made up of a number of organisations across the world, representing different needs and perspectives. This leads to a richness and depth of knowledge, for example, giving producer organisations voice to lead the future of Fairtrade. It also naturally increases the risk of changes being difficult to make or decision-making becoming too complicated. However this is mitigated through various cross-movement groups, including representatives of the movement’s organisations, for example, the Board of Fairtrade International having representatives from the Producer Networks and the National Fairtrade Organisations.

**External criticism** – Fairtrade is a relatively new and bold approach to tackling poverty and therefore there are regular investigations into its effectiveness. There is a risk that a study or media story will not show Fairtrade in a positive light and lead to reputational damage and a fall in sales for producers. This is mitigated by investing in monitoring, evaluation and learning work, to ensure that Fairtrade continues to maximise impact for producers and workers.

## **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 44.

### **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. Two co-opted places are allocated to producer representatives and a further two places are co-opted by the Board. Formal elections take place at the Annual General Meeting where one third of the elected Board stand down by rotation. Elected Board members also have the power to co-opt further trustees so long as the total number of trustees does not exceed 12.

All trustees are elected or co-opted for a three-year term with those co-opted subject to a six-month initial probationary period. Trustees can serve for up to six years before they are required to stand down. After a period of one year, trustees become eligible for re-appointment again.

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

All new trustees receive an induction pack which contains information on the history of the organisation, governance and operational structures, minutes of trustee meetings for the previous year, relevant budgets and accounts, and Charity Commission publications on trustee responsibilities. In addition, trustees are invited to staff induction days and a wide range of events, for example the launch of Fairtrade Fortnight and other promotional events, licensee meetings, and other stakeholder events, so that they have a wide exposure to the various stakeholders in the Foundation. Should the appropriate opportunity arise trustees may sometimes visit producer groups to see first-hand the impact of Fairtrade.

Each year the Board conducts a review of its performance including a survey of trustees and non-trustee sub-committee members. This helps trustees identify and assess the areas of governance structure that perform well and where improvements may be needed, and to review and consider the skills mix of the board and sub-committees.

## **Trustee meetings and board sub committees**

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

- Setting and maintaining the Foundation's vision, mission and values and in particular agreeing and approving the strategic plan;
- Ensuring strong links with the member organisations and the Fairtrade movement;
- Contributing creatively to the development of the Foundation, including fostering relationships with major licensees;
- Developing the Foundation's policies on trade justice and other means of poverty reduction related to the Foundation's core activity;
- Agreeing and monitoring major policies and programmes (e.g. annual plans and budgets); Supporting and appraising the Chief Executive, and approving staffing and remuneration policies; and
- Reviewing reports and management accounts to ensure that the Foundation's performance is in line with its policies and programmes, that it is managing any risks correctly and taking any remedial action needed.

The Board has four sub committees: the Finance and Audit Committee, Certification and Assurance Oversight Committee, Nominations Committee and Remuneration Committee.

The Finance and Audit Committee consists of between 3 and 5 trustees and meets a minimum of four times a year:

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

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

The Certification and Assurance Oversight Committee consists of five voting members as a minimum including at least one trustee – two members are appointed by the Board (of whom at least one must be a trustee), with the remaining members drawn from stakeholders in the Fairtrade sector with no one interest dominating. The Committee meets at least six times a year to:

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

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

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

Minutes of all Committee meetings are reported to the subsequent full Board meeting so that all trustees are informed of significant issues discussed at a subcommittee level.

### **Operational management**

A scheme of delegation is in place which devolves day-to-day operational management of the Foundation to the Chief Executive who is supported by a senior management team consisting of a Chief Operating Officer, Director of Commercial Relations, Director of Policy and Public Affairs, Director of Public Engagement, Director of Finance and IT and Director of Product Integrity.

The Remuneration Committee has overall responsibility to set remuneration for all staff of the organisation including directors.

Fairtrade Foundation is a unionised organisation and we recognise the union for collective bargaining. The charity negotiates with the Union on salary and remuneration terms and conditions on an annual basis, and the suggested pay award is ratified by the Remuneration Committee.

The Foundation uses the widely known and respected Croner Job Evaluation system to set grades and associated pay scales for all posts which includes all directors' posts, which is commonly used in the charity sector.

We aspire to pay at least median market rate for all grades, and these are benchmarked against similar size and type of organisations (comparing to both sector and financial turnover). As a cap we ensure that our pay ratio remains less than 5:1 (i.e. highest salary being no more than 5 times more than the lowest salary).

Some specific technical specialisms can command a market premium. A market premium is only considered if there has been recruitment and/or retention difficulties and benchmark data from Croner confirms the need for a market premium. The decision to pay a market premium needs support from the Head of HR and to be approved by the Remunerations Committee.

### **Statement of Trustees' responsibilities**

The trustees are responsible for preparing the report of the trustees, the strategic report and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law.

Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its net incoming/outgoing resources for that period. In preparing these financial statements, the trustees are required to:

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

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

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

### **Diversity**

Fairtrade Foundation is proud to be an equal opportunities employer, committed to attracting and appointing a diverse workforce, and aims to have a workforce that is representative of all sections of society. We retained the Investors in People Bronze award in 2015, which commented positively that 'Nearly all employees confirmed that Fairtrade provides equal opportunities and is living its values related to diversity'.

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

### **Acknowledgements**

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

Volunteers provide invaluable support to the Foundation. They run local events to promote knowledge of the FAIRTRADE Mark in their communities. Fairtrade Fortnight events, and others throughout the year, depend heavily on the input of an unknown number of local volunteers. In addition, approximately 38 volunteers helped in the Fairtrade office at some time during the year and provided 7,143 hours 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.

### **Trustee Changes**

Nabilai Suma and Chief Adam Tampuri have stood down as Trustees since the last report. The Foundation would like to express its gratitude for the years of diligent service given. They were instrumental in significantly increased impact for producers, resulting from the growth of Fairtrade sales and the Foundation itself during their tenure.

This report, including the Strategic Report contained therein, was approved by the trustees of the Fairtrade Foundation on 29 June 2016, in their capacity as company directors, and signed on its behalf by



Michael Jary  
Chair of the Board  
The Fairtrade Foundation  
29 June 2016

## **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 2015 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes numbered 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 2015 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 FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland; and have been prepared in accordance with the requirements of the Companies Act 2006.

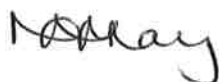
### **Opinion on other matter prescribed by the Companies Act 2006**

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.



Nicola May

Senior Statutory Auditor

For and on behalf of

**Crowe Clark Whitehill LLP**

Statutory Auditor

**London**

12 July 2016

**The Fairtrade Foundation**

**Statement of Financial Activities for the year ended 31 December 2015**

**(including the Income and Expenditure Account)**

	Notes	2015 Unrestricted £ 000	2015 Restricted £ 000	2015 Total £ 000	2014 Total £ 000
<b>Income</b>					
Donations and legacies	2	78	51	129	99
Grants	4	752	356	1,108	1,114
Investment income		3	-	3	5
Charitable activities					
Licence fees		9,842	-	9,842	10,052
Sale of awareness-raising items		17	-	17	25
Other	5	140	108	248	322
<b>Total income</b>		<b>10,832</b>	<b>515</b>	<b>11,347</b>	<b>11,617</b>
<b>Expenditure</b>					
Raising funds	6	353	-	353	346
Charitable activities					
Certification and licensing		1,341	-	1,341	1,628
Market development		2,684	-	2,684	2,607
Producer and product support		2,192	454	2,646	2,781
Public education and awareness		3,905	84	3,989	4,588
Total charitable activities		10,122	538	10,660	11,604
<b>Total expenditure</b>		<b>10,475</b>	<b>538</b>	<b>11,013</b>	<b>11,950</b>
<b>Net income/(expenditure), being net movement in funds</b>	9	<b>357</b>	<b>(23)</b>	<b>334</b>	<b>(333)</b>
<b>Reconciliation of funds:</b>					
Fund balances brought forward	25	3,593	226	3,819	4,152
<b>Fund balances carried forward</b>	17	<b>3,950</b>	<b>203</b>	<b>4,153</b>	<b>3,819</b>

The breakdown of 2014 figures between restricted and unrestricted funds is shown in Note 19.

There were no recognised gains or losses for 2015 or 2014 other than those included in the Statement of Financial Activities. All activities are continuing. The Notes on pages 25 to 42 form part of these Financial Statements.



**The Fairtrade Foundation**  
**Balance Sheet as at 31 December 2015**

	Notes	2015 £ 000	2014 £ 000
<b>Fixed assets</b>			
Intangible assets	11	339	269
Tangible assets	12	22	34
<b>Current assets</b>			
Stock		36	27
Debtors and accrued income	13	3,731	4,327
Cash at bank and in hand		1,621	2,330
Cash at bank – held as agent		553	-
<b>Total current assets</b>		<b>5,941</b>	<b>6,684</b>
<b>Liabilities</b>			
Creditors: amounts falling due within one year	14	(1,956)	(2,924)
<b>Net current assets</b>		<b>3,985</b>	<b>3,760</b>
<b>Total assets less current liabilities</b>			
		<b>4,346</b>	<b>4,063</b>
Creditors: amounts falling due after one year	14	(78)	(129)
Provision for liabilities and charges	15	(115)	(115)
<b>Net assets</b>		<b>4,153</b>	<b>3,819</b>
<b>The funds of the charity:</b>			
	17		
<b>Unrestricted funds</b>			
General funds		2,396	2,353
Designated funds		1,554	1,240
<b>Total unrestricted funds</b>		<b>3,950</b>	<b>3,593</b>
<b>Restricted funds</b>		203	226
<b>Total funds</b>	17	<b>4,153</b>	<b>3,819</b>

The financial statements, including the balance sheet, were approved and authorised for issue by the Board of Trustees on 29 June 2016 and were signed below on its behalf by



Michael Jary  
Chair of the Board  
29 June 2016

The Notes on pages 25 to 42 form part of these Financial Statements.

## The Fairtrade Foundation

### Statement of cash flows for the year to 31 December 2015

	Notes	2015 £ 000	2014 £ 000
<b>Cash flows from operating activities</b>			
Net cash provided by operating activities	20	37	1,331
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(193)	(269)
<b>Cash flows from financing activities</b>			
Repayments of borrowing		-	(2)
<b>Change in cash and cash equivalents in the year</b>		<b>(156)</b>	<b>1,060</b>
<b>Cash and cash equivalents at 1 January</b>	20	2,330	1,270
<b>Cash and cash equivalents at 31 December</b>		<b>2,174</b>	<b>2,330</b>

The Notes on pages 25 to 42 form part of these Financial Statements.

## The Fairtrade Foundation

### Notes to the Financial Statements for the year ended 31 December 2015

#### 1 Accounting Policies

##### 1.1 Company information

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

##### 1.2 Basis of preparation of accounts

The financial statements have been prepared under the historical cost convention in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102), the Companies Act 2006 and the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) - effective 1 January 2015. The date of transition to FRS102 was 1 January 2014 and in preparing the financial statements, the Trustees have considered whether the accounting policies required by the standard require the restatement of comparative information.

The adjustments arising on transition to FRS102 are detailed in Note 25.

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

After reviewing the Foundation's forecasts and projections, the trustees have a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future. The Foundation therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

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

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

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

##### 1.3 Fund accounting

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

**Unrestricted** funds include the general funds of the Foundation 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 17.

#### 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, receipt is probable and the income can be measured with sufficient reliability.

The Foundation receives **licence fees** from companies marketing products carrying the Foundation's FAIRTRADE Mark which 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 typically calculated as a percentage of the products' wholesale value and are largely invoiced quarterly in arrears. Monitoring and auditing of most UK licensees is undertaken directly by the Foundation, while producer and trader certification is the responsibility of FLO-CERT.

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

**Donated services** are included as 'other income' at their estimated value to the charity when received, and under the appropriate expenditure heading depending on the nature of the service provided, at the same value and time.

#### 1.5 Resources expended

All expenditure is included on an accruals basis. All costs have been attributed to one of the categories of resources expended in the Statement of Financial Activities and include a proportion of the support costs as detailed in Note 6. Within support costs, 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.

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

**Costs of generating funds** include all costs incurred in raising funds from, and reporting back to, government, European Commission, charitable trusts and foundations and individual donors.

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

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

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

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

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

## **1.6 Intangible fixed assets**

Intangible fixed assets represent software costs capitalised in accordance with FRS102. These are stated at historical cost and amortised on a straight line basis over the period which revenue is expected to be generated (typically 4 years).

Amortisation is recognised in the statement of financial activities as part of expenditure and is allocated across the expenditure headings on the same basis as Support costs.

## **1.7 Fixed assets and depreciation**

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

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

Depreciation is recognised in the statement of financial activities as part of expenditure and is allocated across the expenditure headings on the same basis as Support costs.

## **1.8 Stock**

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

## **1.9 Pensions**

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

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

Both schemes were contributory (the Foundation paid up to 10% of salary depending on the level of the staff member's contribution). Pension contributions are charged to the Statement of Financial Activities in the period to which they relate. Further details are provided in Note 24.

## **1.10 Redundancy/termination payments**

Redundancy and termination payments are accounted for in the period in which they are agreed.

## **1.11 Operating leases**

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

## **1.10 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 £24,000 (2014: £18,000).

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

### 1.11 Taxation

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

### 1.12 Foreign currency

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

### 1.14 Provisions

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

### 1.15 Financial Instruments

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

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

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

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

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

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

## 2 Donations

	Unrestricted	Restricted	2015	2014
	£ 000	£ 000	Total	Total
	£ 000	£ 000	£ 000	£ 000
Triodos Bank Fairtrade Saver Account	6	–	6	6
Other donations	72	51	123	93
<b>Total donations</b>	<b>78</b>	<b>51</b>	<b>129</b>	<b>99</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 Donated goods and services

The charity benefited from donated services in brand analysis and concept development work. This is valued in the accounts at £25,000 (2014: nil) (see Note 5).

Additional resources were provided by 38 general unpaid volunteers who contributed a total of 7,143 hours days of work in the year, and three consecutive seconded staff who were with us for six months each. Volunteers provided administrative support, assistance with credit control, and policy, advocacy and campaigning support. These contributions are highly valued by the charity but, in line with the Charities SORP, are not recognised in the accounts due to difficulties in measuring their value.

### 4 Grants

	Unrestricted £ 000	Restricted £ 000	2015 Total £ 000	2014 Total £ 000
<i>Member grants</i>				
Shared Interest Foundation	-	5	5	5
<i>Other grants</i>				
Comic Relief				
Extending Fairtrade Gold to Africa	-	15	15	212
Department for International Development				
Programme Partnership Agreement (PPA)	750	-	750	750
European Commission				
EC Cotton Procurement	-	-	-	43
EC Vote4Fairtrade	-	13	13	22
Big Lottery Fund				
Women in Coffee	-	128	128	6
Guernsey Overseas Aid Commission	-	22	22	-
European Year of Development		24	24	-
Ferguson Charitable Trust	-	50	50	-
Esmée Fairbairn charitable Trust	-	67	67	-
Fairtrade International				
Contribution to banana hired labour evaluation	-	29	29	67
Other smaller grants	2	3	5	9
<b>Total other grants</b>	<b>752</b>	<b>351</b>	<b>1,103</b>	<b>1,109</b>
<b>Total grants</b>	<b>752</b>	<b>356</b>	<b>1,108</b>	<b>1,114</b>

### 5 Other income

	Unrestricted £ 000	Restricted £ 000	2015 Total £ 000	2014 Total £ 000
Cross border sales administration fees	39	-	39	39
Consultancy fees	64	-	64	192
Other fees and royalties	37	108	145	91
<b>Total other incoming resources from charitable activities</b>	<b>140</b>	<b>108</b>	<b>248</b>	<b>322</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 the UK invoice the Foundation for the licence fee on non-UK sales less an administration fee.

Consultancy fees includes donated services of £25,000 (2014: nil) for brand analysis and concept development work (see Note 3).

## 6 Expenditure

	Direct staff costs £ 000	Other direct costs £ 000	Support costs £ 000	2015 Total £ 000	2014 Total £ 000
Raising funds	187	46	120	353	346
Charitable activities					
Certification and licensing	639	294	408	1,341	1,628
Market development	1,132	869	683	2,684	2,607
Producer and product support	456	1,911	279	2,646	2,781
Public education and awareness	1,532	1,495	962	3,989	4,588
Total charitable activities	3,759	4,569	2,332	10,660	11,604
<b>Total expenditure in 2015</b>	<b>3,946</b>	<b>4,615</b>	<b>2,452</b>	<b>11,013</b>	<b>11,950</b>
<b>Total expenditure in 2014</b>	<b>3,739</b>	<b>5,457</b>	<b>2,753</b>	<b>11,950</b>	

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 £1.80 million (2014: £1.83 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 £48,000 (2014: £273,000) are payable to FLO-CERT, an independent certification company offering Fairtrade certification services. This is lower than in 2014 due to credit notes received in relation to services provided between 2011 and 2014.

Producer network contributions of £394,000 (2014: £332,000) are distributed to producer networks by Fairtrade International. Contributions of £300,000 (2014: £357,000) were made to the system-wide project fund to fund projects with a global benefit.

Other National Fairtrade Organisations invoice their non-UK licensees for licence fees due on UK and non-UK sales, and the Foundation invoices the National Fairtrade organisations for the licence fees on UK sales less administration fees of £39,000 (2014: £22,000).

Support costs of £2.5 million (2014: £2.8 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.



## Support costs

	Human resources	Finance	Information technology	Management and administration	Governance	Facilities	2015 Total	2014 Total restated
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Raising funds	17	22	21	17	5	39	121	140
Charitable activities								
Certification and licensing	59	73	71	57	16	131	407	461
Market development	105	130	126	101	28	193	683	766
Producer and product support	42	52	51	41	11	82	279	312
Public education and awareness	142	176	170	137	38	299	962	1,074
Total charitable activities	348	431	418	336	93	705	2,331	2,613
<b>Total support costs 2015</b>	<b>365</b>	<b>453</b>	<b>439</b>	<b>353</b>	<b>98</b>	<b>744</b>	<b>2,452</b>	<b>2,753</b>
<b>Total support costs 2014</b>	<b>537</b>	<b>358</b>	<b>621</b>	<b>416</b>	<b>102</b>	<b>719</b>	<b>2,753</b>	

## 7 Grants payable to institutions

SOFA heading		2015	2014
		£ 000	£ 000
Fairtrade Ireland	Market development	34	36
Fairtrade Africa and other African partners	Producer and product support	267	236
Other grants to institutions	Producer and product support	83	75
<b>Total grants payable</b>		<b>384</b>	<b>347</b>

Where we make grants to other organisations a Memorandum of Understandings or a grant agreement is put in place which sets out the purpose of the grant and the responsibilities of all relevant parties.

The grant to Fairtrade Ireland is to support them to develop the Irish market for Fairtrade products.

The grants to Fairtrade Africa and other Africa partners are in relation to extending Fairtrade gold to East Africa, growing women in coffee and the Malawi disaster relief fund (see Note 17 for further details).

The other grants to institutions are provided to Fairtrade organisations to help them develop and communicate their impact for farmers, producers and workers.

Support costs of £53k (2014: £52k) have been allocated to grant making activities.

## 8 Governance costs

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

	2015	2014
	£ 000	£ 000
Trustee expenses	7	6
Fees payable to charity's auditors for the audit of the charity's annual accounts	16	16
Other governance costs	22	27
Staff costs	53	53
<b>Total costs</b>	<b>98</b>	<b>102</b>

No remuneration was paid to trustees in the year (2014: nil).

Trustee expenses relate to travel expenses reimbursed for attendance at Board and subcommittee meetings, other meetings at the Foundation and external events to represent the Foundation. £7,000 (2014: £6,000) was reimbursed to 7 trustees (2014: 5 trustees). The Foundation meets the airfare, hotel and subsistence costs of the producer representatives while they are in the UK attending Board meetings.

## 9 Net Income

Net income is stated after charging:

	2015	2014
	£ 000	£ 000
Depreciation of fixed assets	135	330
Fees payable to charity's auditors for the audit of the charity's annual accounts for the current year	16	16
Fees payable to charity's auditors for the audit of the charity's annual accounts for the prior year	-	(2)
Fees payable to charity's auditors for other accountancy services to the charity	6	9
Operating lease rentals and service charge: land & buildings	637	626

## 10 Staff Costs

	2015	2014
	£ 000	£ 000
Wages and salaries	4,157	4,024
Employer's national insurance costs	413	406
Employer's contribution to defined contribution pension schemes	377	350
Agency staff	10	28
<b>Staff costs</b>	<b>4,957</b>	<b>4,808</b>
<b>Staff recruitment costs</b>	<b>50</b>	<b>106</b>

Number of employees whose emoluments, excluding employer pension costs, fell within the band:	2015	2014
£60,000 - £69,999	3	4
£70,000 - £79,999	1	1
£80,000 - £89,999	1	-
£90,000 - £99,999	1	1

The Foundation's highest salary was 3.9 times the lowest salary during 2015, 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 £37k (2014: £40k).

The senior management team comprised the Chief Executive, the Chief Operating Officer, the Director of Finance and IT, the Director of Public Engagement, the Director of Product Integrity, the Commercial Director and the Director of Policy and Public Affairs. The total employee benefits of key management personnel of the charity were £528k (2014: £416k). A new role of Director of Fundraising and Programmes has been created which it is anticipated will be filled in mid-2016.

Average headcount in 2015 was 120 (2014: 117).

There were no redundancy/termination payments in the year.

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

	2015	2014
Executive Directorate	6	5
Commercial Relations	32	32
Product Integrity	14	12
Policy and Public Affairs	10	9
Public Engagement	24	24
Fundraising	5	5
Support and Administration	17	20
<b>Total full time equivalent staff</b>	<b>108</b>	<b>107</b>

## 11 Intangible Fixed Assets

	Software and website £ 000
<b>Cost at 1 January 2015</b>	<b>1,405</b>
Additions	182
<b>At 31 December 2015</b>	<b>1,587</b>
<b>Depreciation at 1 January 2015</b>	<b>1,136</b>
Charge for period	112
<b>At 31 December 2015</b>	<b>1,248</b>
<b>Net book value at 1 January 2015</b>	<b>269</b>
<b>Net book value at 31 December 2015</b>	<b>339</b>

## 12 Tangible Fixed Assets

	Office equipment £ 000	Fixtures and fittings £ 000	Total £ 000
<b>Cost at 1 January 2015</b>	<b>213</b>	<b>237</b>	<b>450</b>
Additions	6	5	11
Disposals	(1)	-	(1)
<b>At 31 December 2015</b>	<b>218</b>	<b>242</b>	<b>460</b>
<b>Depreciation at 1 January 2015</b>	<b>180</b>	<b>236</b>	<b>416</b>
Charge for period	21	2	23
Disposals	(1)	-	(1)
<b>At 31 December 2015</b>	<b>200</b>	<b>238</b>	<b>438</b>
<b>Net book value at 1 January 2015</b>	<b>33</b>	<b>1</b>	<b>34</b>
<b>Net book value at 31 December 2015</b>	<b>18</b>	<b>4</b>	<b>22</b>

## 13 Debtors and accrued income

	2015 £ 000	2014 £ 000
Licence fee debtors	1,811	1,678
Accrued licence fee	1,058	1,490
Amounts due from Fairtrade International and other Fairtrade organisations	306	688
Other debtors	54	32
Prepayments and accrued income	502	439
<b>Total debtors due within one year</b>	<b>3,731</b>	<b>4,327</b>

## 14 Creditors

<b>Creditors: amounts falling due within one year</b>	<b>2015 £ 000</b>	<b>2014 £ 000</b>
Trade creditors	322	487
Amounts due to Fairtrade International and other Fairtrade organisations	428	1,614
Amount held as agent for System Wide Projects	553	-
Social security and other taxes	218	526
Other creditors	3	3
Accruals for grants payable	69	73
Other accruals	363	221
<b>Total creditors due within one year</b>	<b>1,956</b>	<b>2,924</b>

During 2015 the Foundation started acting as an agent for other National Fairtrade Organisations by holding funds for use on system-wide projects on their behalf. The balance held at 31 December 2015 was £553k (2014: nil).

	<b>2015</b>	<b>2014</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Creditors: amounts falling due after one year</b>		
Accruals	78	129
<b>Total creditors due after one year</b>	<b>78</b>	<b>129</b>

Accruals for grants payable are included at the amount stated in the grant agreement with the recipient and are expected to be paid in 2016 when a satisfactory report has been received from the grantee.

#### **15 Provision for liabilities and charges**

	<b>Provision at 1 Jan 2015</b>	<b>Charged to SOFA</b>	<b>Provision released</b>	<b>Provision at 31 Dec 2015</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
Dilapidations	115	-	-	115
<b>Total provision</b>	<b>115</b>	<b>-</b>	<b>-</b>	<b>115</b>

The provision relates to the office lease dilapidations clause. The lease ends in 2018 so any payments under this provision are expected to be incurred in 2018.

#### **16 Financial instruments**

	<b>2015</b>	<b>2014</b>
	<b>£ 000</b>	<b>£ 000</b>
Financial assets measured at amortised cost	5,417	6,228
Financial liabilities measured at amortised cost	1,735	2,397

## 17 Fund Movements

	Funds at 1 January 2015 £ 000	Income £ 000	Expenditure £ 000	Transfers between funds £ 000	Funds at 31 December 2015 £ 000
<b>Restricted Funds</b>					
<b>Producer and product support</b>					
Extending Fairtrade gold to East Africa	152	15	(149)	-	18
Producer support	28	14	(14)	-	28
Growing women in coffee	(1)	155	(118)	-	36
Banana impact research	42	29	(70)	-	1
Malawi disaster relief fund	-	41	(41)	-	-
Project Election	-	40	(27)	-	13
Value chain study	-	68	(35)	-	33
<b>Total</b>	<b>221</b>	<b>362</b>	<b>(454)</b>	<b>-</b>	<b>129</b>
<b>Public education and awareness</b>					
EC Vote4Fairtrade	(1)	13	(12)	-	-
Smallholder advocacy research	6	-	(6)	-	-
European Year of Development	-	24	(24)	-	-
Ferguson Charitable Trust	-	50	(22)	-	28
Esmée Fairbairn Charitable Trust	-	66	(20)	-	46
<b>Total</b>	<b>5</b>	<b>153</b>	<b>(84)</b>	<b>-</b>	<b>74</b>
<b>Total restricted funds</b>	<b>226</b>	<b>515</b>	<b>(538)</b>	<b>-</b>	<b>203</b>
<b>Unrestricted Funds</b>					
<b>Designated Funds</b>					
Investment fund	937	-	(41)	297	1,193
Fixed asset fund	303	-	(135)	193	361
<b>Total designated funds</b>	<b>1,240</b>	<b>-</b>	<b>(176)</b>	<b>490</b>	<b>1,554</b>
<b>General funds</b>	<b>2,353</b>	<b>10,832</b>	<b>(10,299)</b>	<b>(490)</b>	<b>2,396</b>
<b>Total unrestricted funds</b>	<b>3,593</b>	<b>10,832</b>	<b>(10,475)</b>	<b>-</b>	<b>3,950</b>
<b>Total funds</b>	<b>3,819</b>	<b>11,347</b>	<b>(11,013)</b>	<b>-</b>	<b>4,153</b>

### Description of funds

#### Restricted Funds

##### Extending Fairtrade gold to East Africa

2015 saw the conclusion of the Comic Relief funded 'Expanding Fairtrade Gold to East Africa' programme. Core activities included mock-audits for target mining groups, advocacy work, sustained improvements to mining practices and a comprehensive third-party evaluation of project activities by Aidenvironment. Additional development work in 2015 also led to a further round of funding support from Comic Relief for an additional four years of activities.

### **Producer support**

We supported work to enable rice farmers in Myanmar to come into Fairtrade, work which is ongoing. We also invested in support for coffee farmers in Peru to respond to climate change by establishing climate field schools for ongoing training and instruction. In both cases, the learning from these projects is being shared across the Fairtrade system and with relevant partners.

### **Growing women in coffee**

The “Women in Coffee” project is being supported by the Big Lottery Fund, the Guernsey Overseas Aid Commission and the Jersey Overseas Aid Commission. The project is working with small producer organisations in West Kenya; supporting women into income earning roles and developing a market for their coffee. 2015 marked the first full year of activities which focused on improving the farm performance of women farmers, their access to ‘clean’ biogas technology and scoping out a market for their coffee, both nationally and internationally. This project is being implemented in partnership with Fairtrade Africa and Solidaridad.

### **Banana impact research**

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

### **Malawi disaster relief fund**

A total of £41k was donated to support tea and sugar farmers from Malawi affected by significant flooding in 2014 and 2015 which led to the widespread destruction of crops and property. Support from Fairtrade Foundation has been channelled to Fairtrade Africa and the Malawi Fairtrade Network to enable groups to invest in seedlings, fertilisers and income diversification activities as their farms go through a period of re-growth.

### **Project Election**

This is a project supported by National Fairtrade Organisations in Belgium, Switzerland, Germany and the Netherlands to create, and prepare to implement, a new cross movement product management function across these markets.

### **Value Chain study**

This is an independent academic evaluation to evaluate the impact of Fairtrade’s strategy and interventions on value chains that source and sell Fairtrade products in comparison to conventional value chains in the same product sectors.

### **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. 2015 was the final year of this three-year project. Capitalising on the European Parliament elections in May 2014, the project aimed 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, European Parliament candidates and decision-makers.

Ultimately, the goal is to place a public debate on the situation of marginalised producers in the global South at the heart of EU policy-making. The Fairtrade Foundation’s project resources were mostly focused on supporting the Producer Tour. Four producers, from Uganda, St Lucia, Malawi and Costa Rica, came to the UK for a Fairtrade Fortnight Producer Tour and attended almost 100 events across the UK which directly reached an estimated 7,210 people. Their stories were further shared among the communities through informal grassroots networks, social media and wide local media coverage. The Fairtrade Foundation has also launched ‘Vote for Fair Trade’ web page on its website and started sharing producer testimonials through social media channels.

### **Small holder advocacy research**

Two grants from the Co-operative Group (CWS) Limited helped fund research pieces which began in 2013. The first research piece explores new and emerging donor approaches – including the New Alliance for Food Security and Nutrition – and seeks to understand how these will affect smallholder farmers in practice. The key output will be a published report which will support and add to ongoing policy dialogue with donors and other

policy makers on the themes of smallholders and co-operatives. The second research piece is a more focused study which seeks to identify the main barriers that women smallholder farmers face in becoming members of Fairtrade co-operatives, and to then better understand how Fairtrade can respond to these challenges.

#### **EC European Year of Development (EYD)**

In 2015 Fairtrade Foundation received a sub-grant through the umbrella NGO CONCORD (ultimately from the European Commission) to support campaigning work with the UK Fairtrade supporter community to increase awareness of the Sustainable Development Goals and other EYD priorities. The funding supported resource development and running costs for several supporter events, including regional conferences and a parliamentary event, as well as the creation of an online campaign hub.

#### **Ferguson Charitable Trust**

In 2015 Fairtrade Foundation received £50,000 from the Allan & Nesta Ferguson Charitable Trust in support of our schools work. Specifically, in 2015 we looked to take forward a replication of our successful pilot of creating a film specifically aimed at schools fronted by a UK student who experiences the day-to-day realities of farming in the global South, as well as the benefits of Fairtrade. The grant also covered the development of accompanying resource packs, and participation at a relevant event run by the Geographical Association.

#### **Esmée Fairbairn Charitable Trust**

In 2015 Fairtrade Foundation commenced a 3-year project funding partnership with Esmée Fairbairn. The supported work deals with the extension of the mandate of the Groceries Code Adjudicator to help prevent Unfair Trading Practices from persisting in the UK and EU trade context. Also supported is work to influence the Competition and Markets Authority to increase recognition of ethical considerations as part of the definition of consumer interest. Additional to this support for advocacy and policy work, Esmée Fairbairn has agreed to support Fairtrade Foundation's campaigning efforts, namely the Producer Tour, which brings four Fairtrade farmers on a tour of the UK's vibrant supporter communities.

### **Designated Funds**

#### **Investment fund**

There are a number of projects that the Foundation is considering that require resources and which could improve the lives of producers through increasing the impact and effectiveness of the Foundation and the movement as a whole. These are typically projects which are considered necessary but are difficult to effectively fundraise for, such as IT or systems improvements.

Four projects were active in 2015:

- (1) Replacing our licensing IT system (LASer) with a new integrated platform called CONNECT (£103k);
- (2) The UK's contribution to Project Election (see above) (£10k);
- (3) Consumer segmentation research (£11k); and
- (4) New services project to consider innovative new ways to improve our offer to business (£18k).

The rest of the funds will be allocated to projects in the coming years to support the implementation of our new strategy. In 2015 £400,000 (2014: £250,000) was transferred from General Funds to the Investment Fund for this purpose.

#### **Fixed asset fund**

This fund represents the depreciated cost of fixed assets used by the Foundation in its work. The transfer to the Fixed Asset Fund represents the fixed asset additions in the year (see Notes 11 and 12).



## 18 Analysis of fund balances held as at 31 December 2015

	General £ 000	Designated £ 000	Restricted £ 000	Total £ 000
Intangible fixed assets	-	339	-	339
Tangible fixed assets	-	22	-	22
Current assets	4,545	1,193	203	5,941
Current liabilities	(1,956)	-	-	(1,956)
Long term liabilities	(78)	-	-	(78)
Provisions	(115)	-	-	(115)
<b>Fund balance at 31 December 2015</b>	<b>2,396</b>	<b>1,554</b>	<b>203</b>	<b>4,153</b>

## 19 Breakdown of 2014 figures into restricted and unrestricted reserves

	Notes	2014 Unrestricted £ 000	2014 Restricted £ 000	2014 Total £ 000
<b>Income</b>				
Donations and legacies	2	81	18	99
Grants	4	757	357	1,114
Investment income		5	-	5
Charitable activities				
Licence fees		10,052	-	10,052
Sale of awareness-raising items		25	-	25
Other	5	321	1	322
<b>Total income</b>		<b>11,241</b>	<b>376</b>	<b>11,617</b>
<b>Expenditure</b>				
Raising funds	6	346	-	346
Charitable activities				
Certification and licensing		1,628	-	1,628
Market development		2,607	-	2,607
Producer and product support		2,510	271	2,781
Public education and awareness		4,469	119	4,588
Total charitable activities		11,214	390	11,604
<b>Total expenditure</b>		<b>11,560</b>	<b>390</b>	<b>11,950</b>
<b>Net expenditure, being net movement in funds</b>	9	<b>(319)</b>	<b>(14)</b>	<b>(333)</b>
Fund balances brought forward	25	3,912	240	4,152
<b>Fund balances carried forward</b>	17	<b>3,593</b>	<b>226</b>	<b>3,819</b>

## 20 Notes to the cash flow statement

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

	2015	2014
	£ 000	£ 000
Net income	334	(333)
Depreciation charge	135	330
(Increase)/decrease in stock	(9)	6
Decrease in debtors	596	702
Increase/(decrease) in creditors excluding short term borrowings	(1,019)	626
<b>Net cash inflow from operating activities</b>	<b>37</b>	<b>1,331</b>

### Analysis of net funds

	Balance at 1 January 2015	Cash flow movement	Balance at 31 December 2015
	£	£	£
Cash at bank and in hand	2,330	(156)	2,174
<b>Net funds</b>	<b>2,330</b>	<b>(156)</b>	<b>2,174</b>

## 21 Financial commitments under operating leases

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

	2015	2014
	£ 000	£ 000
<b>Land and buildings</b>		
Due within 1 year	511	511
Total due in years 2 to 5	767	1,278
<b>Office equipment</b>		
Due within 1 year	14	-
Total due in years 2 to 5	45	-
<b>Total</b>	<b>1,337</b>	<b>1,790</b>

Lease payments recognised as an expense were £511k (2014: £511k). They are included in support costs.

## 22 Share capital

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

## 23 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 6. In addition, income of £41,000 was received from Fairtrade International (2014: £257,000) for services provided by the Foundation. £16,000 was received from FLO-CERT (2014: nil) and £10,000 paid to FLO-CERT (2014: £11,000) for additional services provided to or on behalf of the Foundation. At the year-end a net balance of £28,000 (2014: £392,000) was due to Fairtrade International and £83,000 (2014: £354,000) was due to FLO-CERT.

As explained in the Structure, Governance and Management section of the Trustees' Report, up to six trustees are appointed by the members of the Fairtrade Foundation. During the year, two trustees were employees of member organisations: Elizabeth May (Traidcraft) and Barney Tallack (Oxfam International).

The Foundation purchased £2,000 (2014: £2,500) 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. The Foundation also made a grant to Traidcraft for £13,500 to help implement a new Fairtrade rice supply chain in Myanmar.

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

During 2015 the Foundation acted as agent in relation to funds which are held collectively by all National Fairtrade Organisations (NFOs) in order to fund projects which will benefit all Fairtrade organisations. The Foundation received £1.33 million in contributions from other NFOs and paid out £777k. The balance at 31 December 2015 was £553k.

#### **24 Pension funds - defined contribution scheme**

Since 1 April 2014 the Foundation has contributed towards a defined contribution scheme. The cost of this scheme is charged to the Statement of Financial Activities and amounted to £377,000 (2014: £288,000). It did not give rise to any provisions/reserves.

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

#### **25 Reconciliation with previously Generally Accepted Accounting Practice**

In preparing the accounts, the trustees have considered whether in applying the accounting policies required by FRS102 and the Charities SORP FRS102 the restatement of comparative items was required.

At the date of transition in applying the requirement to recognise liabilities arising from employee benefits, a liability was recognised for short term compensated absence arising from employee entitlement to paid leave. The initial liability recognised at the date of transition was for the holiday entitlement carried forward. The initial liability was £51k on 1 January 2014.

In addition, governance costs have been reclassified as support costs and intangible assets have been shown as a separate category of assets. No other restatements were required.

In accordance with the requirements of FRS 102 a reconciliation of opening balance is provided.

	<b>1 January 2014</b>	<b>31 December 2014</b>
	<b>£000</b>	<b>£ 000</b>
Fund balances as previously stated	4,203	3,873
Short term compensated absences	(51)	(54)
<b>Fund balances as restated</b>	<b>4,152</b>	<b>3,819</b>

Reconciliation of 2014 deficit for the year

	<b>31 December 2014</b>
	<b>£ 000</b>
2014 deficit as previously stated	<b>(330)</b>
Short term compensated absences	(3)
<b>2014 deficit as restated</b>	<b>(333)</b>

## The Fairtrade Foundation

### Reference and administrative information

#### Legal status

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

#### Registered address and principal office

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

#### Registered charity number

1043886

#### Directors/Trustees

Arun Ambatipudi	Appointed September 2011
Didier Dallemagne <sup>3</sup>	Appointed October 2014
Paul Farthing <sup>1</sup>	Appointed October 2014
Jane Frost <sup>4</sup>	Appointed June 2014
Michael Jary (Chair) <sup>1 3 4</sup>	Appointed August 2013
Elizabeth May <sup>4</sup>	Appointed December 2013
Rebecca Rowland <sup>1</sup>	Appointed January 2013
Elizabeth Sideris <sup>3</sup>	Appointed October 2014
Nabilai Suma <sup>2</sup>	Stood down January 2016
Barnaby Tallack <sup>3</sup>	Appointed January 2013
Chief Adam Tampuri	Stood down December 2015
Paul Thompson (Treasurer) <sup>1</sup>	Appointed June 2014

#### Independent committee members

John Dalby<sup>2</sup>  
Karen Hetherington<sup>2</sup>  
Hannah Turner<sup>2</sup>  
Simon Wright<sup>2</sup>

<sup>1</sup> Member of Finance and Audit Committee

<sup>2</sup> Member of Certification and Assurance Oversight Committee

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

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

#### Senior Management

Michael Gidney	Chief Executive
Tim Gutteridge	Chief Operating Officer
Barbara Crowther	Director of Policy and Public Affairs
Cheryl McGeachie	Director of Public Engagement – maternity leave from August 2015
Nilufar Verjee	Interim Director of Public Engagement – joined August 2015
David Meller	Director of Product Integrity
John Rew	Director of Finance & IT
Euan Venters	Director of Commercial Relations

**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  
Sorooptimist 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  
Deanery Road  
Bristol  
BS1 5AS

**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