



**Social Accounts**  
**YEAR ENDED September 2018**

# **INVESTING IN A fairer world.**

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## ACKNOWLEDGEMENTS

Drafting of this report was undertaken by the Social Reporting Team at Shared Interest: Laura Carrick, Jordi Fresnedoso Kodzo Korkortsi, Stina Porter, Sally Seddon, Denise Sumner, Jo Tong, Harriet Urwin, Mark Vassallo and France Villeneuve.

We are grateful to

Dr Mark Dawson, Sue Osborne (Chair), Fiona Standfield, and Rebecca Rowland for providing independent verification this year.

Front cover image: Pink Foods, cocoa producers in Uganda

# Welcome to our 2018 Social Accounts

As Chair, I am delighted to introduce our Social Accounts for the year 2018.

This report gives a transparent account of the activities for both Shared Interest Society and Shared Interest Foundation. They include a detailed review of our impact across the world and the members, staff and volunteers that made it possible.

The year began with a period of forecasting and planning as the staff team undertook a full Strategic Review for the next five years. Our stakeholders played an important part in this process and together we identified four key themes: certifications, governance, new markets, and climate change. Although our plans will not be embedded until next financial year, you can build an understanding of the direction by reading the 'What we want to Achieve' section on page 50. In the meantime, this set of Social Accounts illustrates how we have achieved the goals set out in our 2014 Strategic Review, leaving us in a positive position for next year's challenges.

Despite the continuing period of political uncertainty, here in the UK, investment has grown by 5%, passing the milestone of £40 million by January 2018, and ending the year with a Share Capital total of almost £41.4 million.

Our main aim remains to support producers who are otherwise unable to access finance and I am pleased to report that we continued to strengthen this relationship, with the value of funds lent directly to producers increasing from 63% to 66% of £62.9m (total amount lent) since last year. Given that, according to a study by Dalberg, an estimated

two billion people lack access to formal financial services (Source: [www.dalberg.com/financial](http://www.dalberg.com/financial)), I believe that it is imperative that we maintain this momentum.

Supporting buyers with finance to pre-finance orders has provided another route to reach producers in remote communities, particularly in countries where we cannot operate directly. One example is the facility offered to Peruvian buyer Inka Moss, which supports sphagnum moss farmers in the Andean highlands. This region provides one of the most challenging farming terrains in the world where there are few opportunities to earn an income. Founder and General Manager of Inka Moss, Marco Pinatelli, said: "We approached Shared Interest for finance so that we can pay the farmers for moss on delivery to our factory. The loan has also given us the opportunity to include more remote communities within our supply chain."

We continue to diversify our product mix in our lending portfolio, although coffee and cocoa still make up the largest portion at 38% and 21% respectively. Artisan products continue to hold a small but vital place, with 10% of our payments going to these producers. Although these tend to be smaller amounts of lending, we believe they achieve a significant social impact, as the majority of other social lenders do not offer finance to this sector.

Meanwhile, with the support of donors, as well as trusts and grant-giving bodies, our charitable arm Shared Interest Foundation has supported over 130,000 people in Africa, delivering four projects in five countries.

Other landmark moments in the past 12 months include the

lively and informed strategic review workshops; a series of member events in London, Manchester, Edinburgh and Bristol; our overseas Regional Managers speaking to a captive audience at our AGM in Gateshead, and our lending team achieving the highest level of lending in our history.

We are grateful to all of our investors, donors and volunteers for their support and generosity. I am especially appreciative of our volunteers who continue to give their precious time to Shared Interest to help fulfil our mission. I hope you enjoy reading this year's report, which offers more highlights from 2017/18.



**Mary Coyle MBE**  
**CHAIR OF SHARED INTEREST**

# SOCIAL AUDIT STATEMENT

The Social Audit Panel has examined the draft Social Accounts submitted to us and discussed them in detail with Patricia Alexander (MD), Kodzo Korkortsi and Tim Morgan at the Social Audit Panel meeting held on 22nd November 2018. We have examined the revised Social Accounts which were prepared following the Social Audit Panel meeting and which have taken into account various points identified in the notes\* of the Social Audit Panel Meeting. We also examined a sample of the data and the sources of information on which the Social Accounts have been based.

We believe that the process outlined above has given us sufficient information on which to base our opinion. We are satisfied that, given the scope of the social accounting explained in the revised draft and given the limitations of time available to us, the Social Accounts are free from material mis-statement and present a fair and balanced view of the performance and impact of Shared Interest as measured against its stated values and aims and the views of the stakeholders who were consulted.

The Social Audit Panel was unanimous in affirming that the accounts were clear, comprehensive and thorough, and that much progress had been made in responding to the Panel's recommendations from previous years.

We identified two key issues to be taken into consideration during the next social audit cycle. In particular, we would refer to the following:

- We would encourage Shared Interest to develop the Theory of Change detailed in the current set of accounts to clarify intended outcomes and impact
- We would encourage Shared Interest to review the wording of the 3 aims and associated activities to ensure a focus in future social accounts on capturing outcomes and impact, as well as outputs.

The members of the Social Audit Panel were:

**Sue Osborne (Chair),**  
Director of the School for Social Entrepreneurs,  
Yorkshire, Humber and North East

**Dr Mark Dawson,**  
University of Leeds

**Becca Rowland,**  
Marketing Analyst and Fairtrade campaigner

**Fiona Standfield**  
Chief Operating Officer at Roman Catholic  
Diocese Hexham and Newcastle



\* the notes of the Social Audit Panel meeting form part of the social accounting and auditing process and may by arrangement, be inspected along with the full social accounts at the offices of Shared Interest, Pearl Assurance House, 7 New Bridge Street West, Newcastle Upon Tyne, NE1 8AQ. Members of the Social Audit Panel have acted in an individual capacity.

# Introduction

*THESE SOCIAL ACCOUNTS COVER SHARED INTEREST'S FINANCIAL YEAR FROM 1 OCTOBER 2017 TO 30 SEPTEMBER 2018. REFERENCES TO 'THIS YEAR' AND '2018' SHOULD THEREFORE BE READ AS THE ABOVE 12-MONTH PERIOD*

The operations of both Shared Interest Society and Shared Interest Foundation are summarised in three key aims and associated activities.

These aims cover the substantive activities of both organisations.

A full picture of our work can be gained by reading these accounts in conjunction with the Directors' Report and Financial Statements which are available for both Shared Interest Society<sup>1</sup> and Shared Interest Foundation<sup>2</sup>.

These Social Accounts were produced in accordance with the process recommended by the Social Audit Network UK (SAN). This includes an audit by an independent panel, chaired by a SAN qualified social auditor, members of which are listed on page 5. In accordance with this approach, we compile these accounts using a combination of internally generated data and consultations with key stakeholders. Full details of our stakeholders and our methods of consultation can be found on pages 43-46.

Where we have quoted comments in the Social Accounts, we have selected these to be an illustrative sample of the balance of opinions from the consultations conducted.

| <b>AIM 1:</b>  | <b>Aim 2:</b>   | <b>Aim 3:</b>  |
|--|---|--|
| <i>Provide financial services and business support which make livelihoods and living standards better for people as they trade their way out of poverty</i>  | <i>Develop our community of investors, the support of donors and volunteers, and partnerships with those who share our commitment to fair and just trade</i>  | <i>Manage our resources in line with our principles of love, justice and stewardship</i>   |
| <p><b>Activity 1:</b><br/>Increase producers' access to finance by:<br/>Offering a variety of lending products directly to producer businesses<br/>Providing financial services to buyer businesses<br/>Implementing an efficient lending system to improve customer service</p> <p><b>Activity 2:</b><br/>Build sustainable support for fair trade businesses by:<br/>Delivering training programmes to meet producers' needs<br/>Developing strategic partnerships</p> | <p><b>Activity 1:</b><br/>Attract and retain investors, donors and volunteers</p> <p><b>Activity 2:</b><br/>Act co-operatively, valuing the views of our membership and wider supporters</p> <p><b>Activity 3:</b><br/>Collaborate and innovate with partners</p> | <p><b>Activity 1:</b><br/>Ensure good financial stewardship of our investments and donations</p> <p><b>Activity 2:</b><br/>Encourage talent and commitment in an environment of mutual respect</p> <p><b>Activity 3:</b><br/>Practise good environmental stewardship</p> |

<sup>1</sup> Appendix 1: Shared Interest Society Directors' Report and Financial Statements

<sup>2</sup> Appendix 2: Shared Interest Foundation Financial Statements

# Our mission

*Our mission is to provide financial services and business support to make livelihoods and living standards better for people as they trade their way out of poverty.*

*We work collaboratively and innovatively with those who share our commitment to fair and just trade. With a community of investors and the support of donors and volunteers, we seek to contribute to a world where justice is at the heart of trade finance.*

Shared Interest Society plays an important role in the fair trade movement.

With 9,892 Share Accounts, each investing between £100 and £100,000, we are able to lend money directly to businesses across the world. You can read more about our different types of lending in Appendix 3.

These businesses range from sole traders to large organisations and encompass individual producers to large scale coffee co-operatives and buyers. We offer a variety of lending options that enable our customers to finance orders; purchase essential machinery and infrastructure; make advance payments to farmers and artisans; and finance stock for new shops selling fair trade goods.

In addition to finance provided by Shared Interest Society, Shared Interest Foundation provides financial training and business support to fair trade producers.

Our charity is supported by donations from 646 donors, as well as grants.

You can read more about Shared Interest and our

achievements over the last 28 years on our website.<sup>3</sup>

We report on our performance during the year under the three aims detailed on page 6. These organisational aims contribute to the achievement of our mission.

The Society and Foundation have a shared mission and set of values which is to conduct our business in a manner which reflects the principles of love, justice and stewardship.

We will:

***Work co-operatively with our members as we take and share risk***

***Value and engage our donors and supporters***

***Encourage the commitment, talents and energy of our staff in an environment of mutual respect***

***Work to recognised fair trade standards***

***Respect the diversity of different cultures***

***Place partnership at the heart of what we do***

All aims and accompanying activities are reviewed annually by the Social Reporting Team and approved by the Board of Directors.

The key stakeholder groups within each aim are listed but a full stakeholder list is available on page 43. Read in conjunction with our Directors' Report and Financial Statements in Appendix 1 & 2, these aims cover all areas of our organisation.



<sup>3</sup> [www.shared-interest.com/about-us/our-history](http://www.shared-interest.com/about-us/our-history)

# Our Impact

Our experience provides us with the belief that, by providing increased access to credit facilities to smallholder farmer organisations, we empower them to work towards the reduction of poverty and the promotion of economic growth and social development in their communities.

Through investment from our members and the support of donors and partners, we continue to grow our lending portfolio to impact communities across the globe. We lend directly to fair trade producer groups (producer lending) and to fair trade wholesale or retail businesses (buyer lending). We offer term loans for the purchase of production equipment and the expansion of production facilities. We also provide short-term rolling facilities in the form of export credit to help producers fulfil their orders or a stock facility for building up raw materials. An explanation of our different types of lending can be found in Appendix 3.

Our partners believe our work contributes to the attainment of key Sustainable Development Goals (SDGs). In a survey carried out this year, we asked them to indicate the SDGs to which we make the highest contribution. The strongest correlations were identified between our work and SDGs 8. Decent Work and Economic Growth, 17. Partnerships for the Goals, 1. No Poverty and 12. Responsible Consumption and Production.

In East Africa, we delivered training programmes to strengthen the governance structures of 20 producer co-operatives. In Malawi, we trained five co-operatives on good agricultural practices, which has resulted in increased yield and income for farmers in the tea and nut sectors. In collaboration with our partner, Swaziland International Fair Trade (SWIFT) we implemented product development and

market linkage programmes, which led to the growth of 45 micro-enterprises in Swaziland<sup>4</sup>.

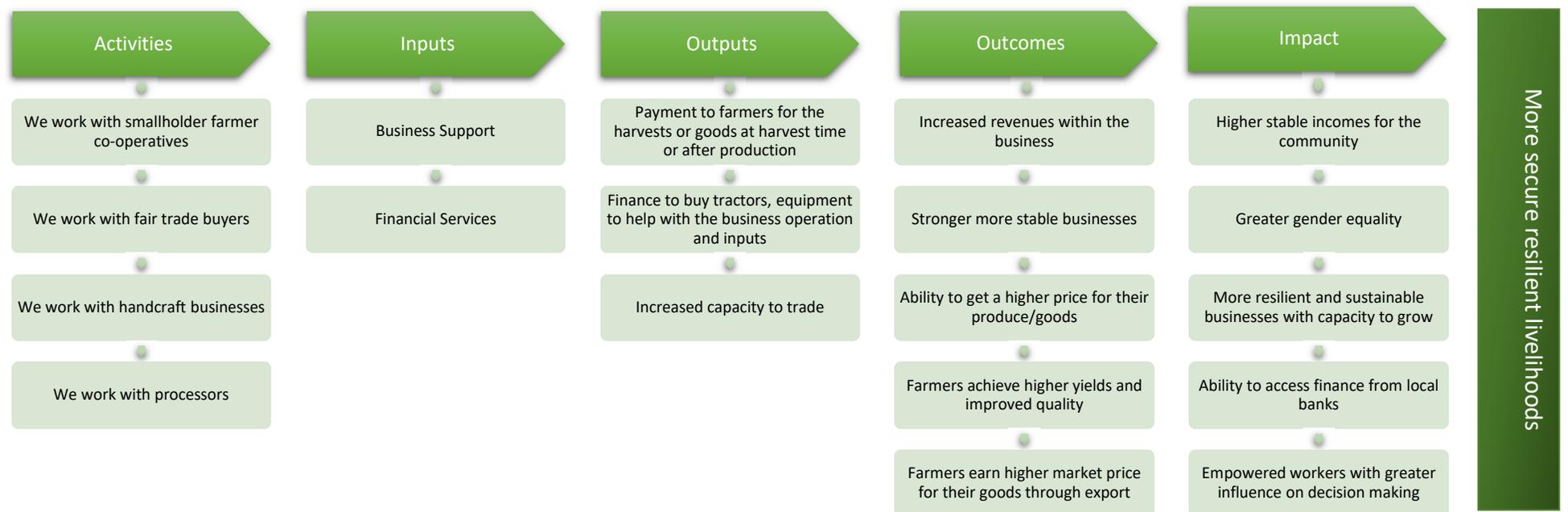
This year, these micro-enterprises created 186 new jobs and achieved over 300% average sales increase.

We continue to develop and refine our methodology for impact assessment. This involves the recognition that there are external factors, which also contribute to the outcomes of the businesses we work with. However, through case studies and related data gathering methods we are able to demonstrate the effect of our financial support.

## THE GLOBAL GOALS For Sustainable Development



<sup>4</sup> King Mswati III of Swaziland has now changed his country's name to eSwatini but we will refer to it as Swaziland for the purpose of this report.



The diagram shows how our loan finance contributes to building more secure and resilient livelihoods. By providing financial services and business support (which are referred to as Inputs in the diagram), we empower producers, processors and buyers to purchase farm inputs, production equipment and to finance harvest operations, which ultimately increase their capacity to trade (Outputs).

These outputs translate into increased farm yield and improvement in quality, as well as leading to higher prices and improvement in the revenue streams of the businesses (Outcomes). The long-term effects of these interventions (Impact) are sustainable growth of the businesses, higher stable income for community members, and better working conditions for workers.

All of these aspects lead to the improvement of producer livelihoods, workers, and their households. Through these achievements, we are contributing to poverty reduction in some of the most disadvantaged communities in the world.

The supply chains behind certain products can be difficult to trace. They are characteristically diverse, containing many producers, processors and buyers. They can include a wide range of farm sizes or handcraft groups and individuals of varying economic and social status. Producers often have limited recorded information and through our Monitoring and Evaluation processes, we continue to seek to capture whether the main outcomes are attributable to Shared Interest.

We developed a social impact measurement scorecard, which will be embedded in our new lending database. We administered a survey to our producers using the scorecard. The data we collected provided us with baseline information, which will serve as the basis for impact monitoring. We are also producing a consistent method of collecting qualitative data, which will be rolled out next year.

We use surveys, interviews, focus group discussions and case studies to collect our impact data. We speak to producers, workers, and community members where the co-operative is located to have a holistic picture of the impact of our work.

# Aim 1

*PROVIDE FINANCIAL SERVICES AND BUSINESS SUPPORT WHICH MAKE LIVELIHOODS AND LIVING STANDARDS BETTER FOR PEOPLE AS THEY TRADE THEIR WAY OUT OF POVERTY*

## Activity 1: Increase producers' access to finance

Despite the progress made in increasing access to financial services, the majority of people living in developing countries struggle to access finance, particularly where the main source of income is from agriculture. Our overseas team has reported that producer groups are unable to obtain the credit facilities they need to grow their businesses sustainably.

Through our lending, we empower smallholder farmers and artisans to improve their business operations, access commercial markets, create employment opportunities and to contribute to the alleviation of poverty in their respective communities.

Shared Interest is one of a number of social lenders. We aim to remain a trusted and respected provider of ethical finance, with a particular emphasis on working with some of the more vulnerable groups whom other lenders are less keen to support. Therefore, a large proportion of our lending is unsecured as many producers do not have assets to use as security, or they are unable to provide ownership documentation for their land due to some countries having no land registration system.

We lend in two ways: directly to fair trade producer groups (producer lending), and to fair trade wholesale or retail businesses (buyer lending). An explanation of the different types of financial products can be found in Appendix 3.

Map 1 & 2 on pages 21 & 22 show the location of our customers and the reach of our payments. The chart below gives a more detailed summary of the total payments made to both producer customers and to producers on behalf of buyers.

### Total payments made



We offer term loans for the purchase of assets or building infrastructure. However the majority of our lending can be classed as short-term rolling facilities, providing working capital to help producer groups fulfil their orders or to help purchase stock. This lending is designed to be repaid as contracts are fulfilled. Upon repayment, the funds are then available to be lent again. As a result, the value of payments made is greater than the value of lending

facilities provided. Every £1 of investment made by members was lent 1.56 times in the year.

Most funds lent to buyers (86%; 2017: 89%) are used to pre-finance orders. Fair trade buyers are required to provide producers with a part payment on placing the order. We send this money to producers on behalf of the buyer. These are referred to as 'recipient producer payments'.

Payments for coffee and cocoa represent 62% of the total payments made this year. Payments for handicrafts represent 8%; a decrease from last year's 11%.

We continue to strengthen our direct relationship with producers and the proportion of funds lent directly to them has increased slightly from 63% to 66% since last year.

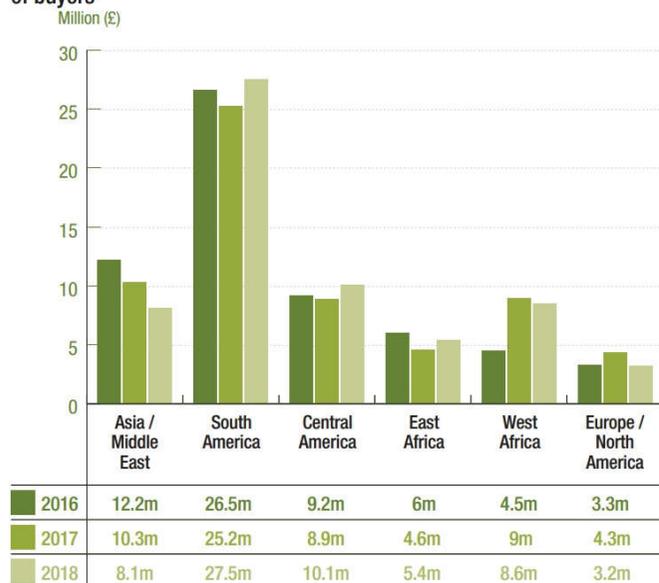
We have represented the data in GBP. However, 93% of the payments were made in other currencies, predominantly USD and EUR. Fluctuations in exchange rates therefore had a significant impact.

Overall payments increased by 1% in 2018 compared to the previous year. This growth is comparable to the 2% growth reported by the Council on Smallholder Agricultural Finance (CSAF) in their recent 'State of the Sector' report (Appendix 5), which is lower than previous years.

South America continued to receive the highest total of payments. A large proportion of payments made on behalf of buyers went to Asia and the Middle East. Due to political and economic constraints, it is difficult to lend directly in these regions. A proportion of payments were made to fair trade suppliers within Europe and North America.

Both existing borrowers' facilities and levels of refinancing increased in the year. Our performance is comparable to that reported by CSAF in their recent sector report. CSAF represents 12 leading social lenders, including Shared Interest.

**Total payments per lending region made to producers and on behalf of buyers**



Our portfolio is split into three regions; Africa, Latin America and Northern Hemisphere and Pacific Rim (NHPR). We have a total of 207 customers, consisting of 175 producer groups and 32 buyers.

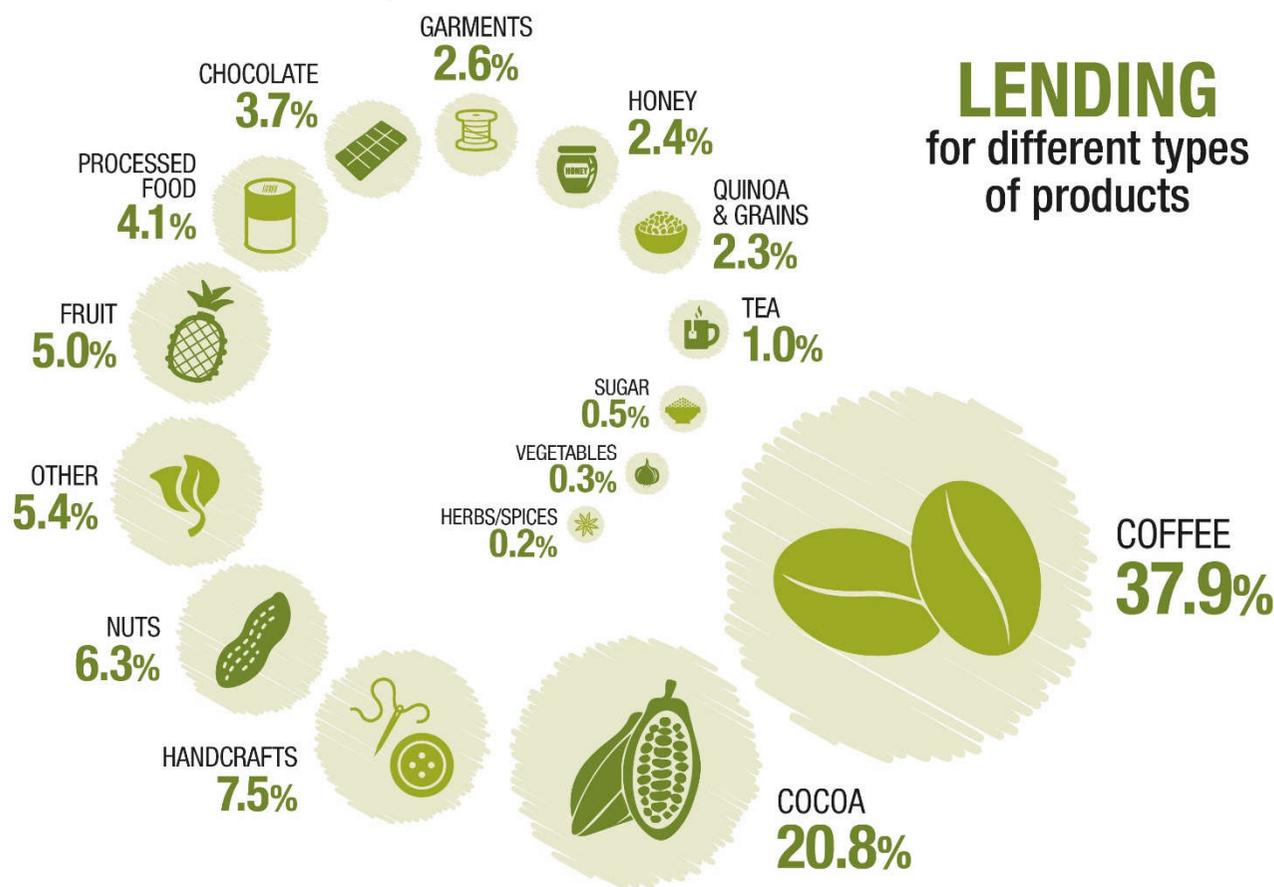
To ensure we use our Share Capital effectively, we take advantage of the different harvest seasons across product types and regions. For example, when the coffee harvest in South America finishes, the Central American harvest begins, therefore their borrowing peaks rarely coincide. This allows us to commit a higher value of lending than the total value of our Share Capital.

The types of products our lending supports have continued to diversify and this has helped us reach more producers. Our lending against coffee reduced from 40% in 2017 to 38% in 2018, whilst lending to cocoa increased from 20% in 2017 to 21% in 2018. Coffee remains our largest exposure, mainly due to the scale of Fairtrade coffee production with

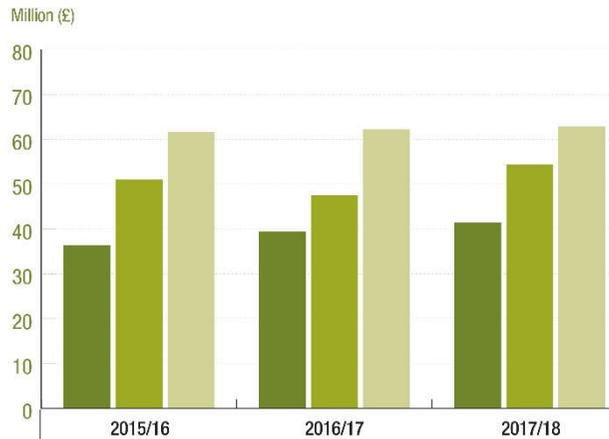
more than half of all fair trade producers growing this commodity. We manage our risk in coffee lending and other commodities by having sight of buyer contracts. Handcraft and textile products continue to have an important place in our lending, with 10% of lending going to these producers. We believe our lending is important to these groups because the majority of other social lenders do not offer financing to this sector. The chart below shows the split of lending for different types of products as a percentage of our approved lending.

We balance the desire for our lending to reach those who need it most, with the need to avoid placing our members'

capital at excessive risk. To control our country-related risk we use an independent evaluator organisation, which provides a country categorisation of A to D, with D being the riskiest. Prudential limits are then set to control our exposure to countries in C and D categories. A more detailed explanation of country risk can be found at Appendix 4.



**Committed lending and payments to all customers in relation to Share Capital**



|               | 2015/16 | 2016/17 | 2017/18 |
|---------------|---------|---------|---------|
| Share Capital | 36.4m   | 39.4m   | 41.4m   |
| Committed     | 51m     | 47.5m   | 54.3m   |
| Payments      | 61.7m   | 62.2m   | 62.9m   |

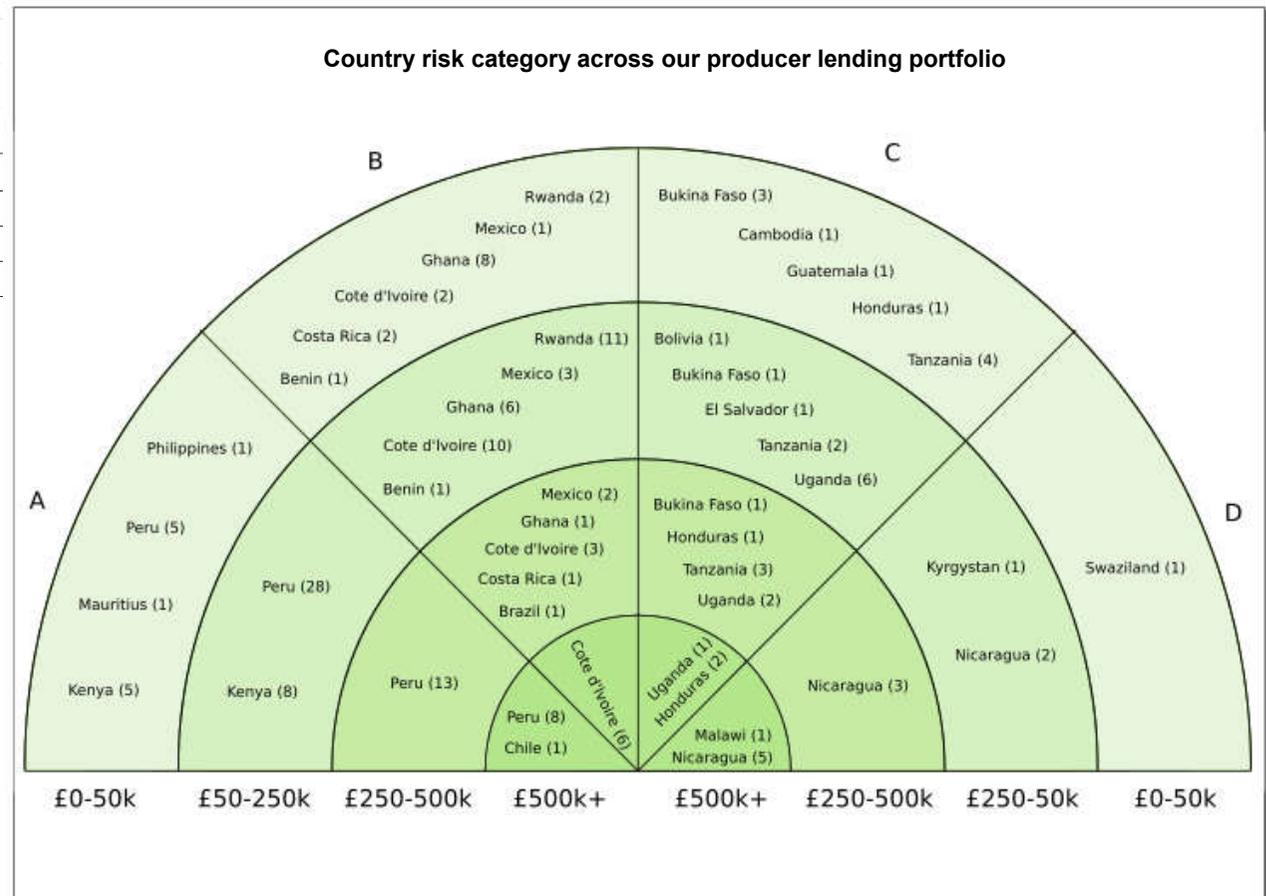
The adjacent chart shows where we lend, and the number of producers we lend to in relation to their country risk category. During the year, Costa Rica moved category from A to B and Nicaragua from C to D. Brazil and Rwanda improved their risk assessment changing category from C to B. This was reflected in our portfolio as we have increased the lending to producers in Rwanda from four to 13 during the year.

Of the 470,421 farmers and artisans (2017: 374,946) supported by the producer groups, 39% are women (2017: 30%) and 8,617 permanent employees (2017: 7,254). Although we are, as yet, unable to quantify what proportion of the revenues generated by the 175 producer organisations was related to Shared Interest support, we estimate that collectively, they earned £614.7 million, a 24% increase from last year.

The graphic on the following page shows a summary of the key indicators we compile in order to measure impact. They

show the number of producer groups we work with, and the individuals we are impacting within those groups.

Since our 2014 Strategic Review, we have strengthened our overseas presence in Costa Rica, Ghana, Kenya and Peru. This has helped us grow the proportion of direct producer lending and increased our understanding of the communities we are working with.



IN **2018**  
WE LENT MONEY TO...



## 1.1 Offering a variety of lending products directly to producer businesses

### Latin America

According to the 2016 Human Development Report (Appendix 7), in Latin America, 220 million people, representing 38% of the total population, are economically vulnerable and 30 million are at risk of falling back into poverty.

Of the total 175 producer groups we work with, 47% are located in Latin America and this represents 66,983 individuals (50% are women) out of the total of 470,421 people.

Payments made to producers in this region totalled £31.5 million (see adjacent graph), representing 50% of the total payments sent by Shared Interest. This was significantly greater than other regions due to the larger number of facilities provided to coffee producers. In fact, 81% of total payments in Latin America are attributed to cocoa and coffee. In Latin America, Peru is the largest in terms of total value of payments (£21.8 million) and number of payments (344) made.

Although 10 new customers have been attracted in this region, overall there was almost no change in total as nine facilities closed during the year. CSAF reports that across all social lender members, total payments to South America reduced in 2017/2018 by 13%, whilst payments to Central America increased by 9%. Peru has the most CSAF lending activity with 10 CSAF members whose customers receive a total of USD 123 million. Of these, Root Capital, Oikocredit, Incofin, and Rabobank have the biggest presence in Latin America.

There has been an opportunity to grow our portfolio in coffee thanks to available prudential limits. We carried out an assessment of existing coffee customers to determine whether or not to keep certain accounts active, bearing in mind risk factors and average utilisation of the facility. In this way, we used the coffee limits for producers that needed the funds more and/or were less risky. In addition

to cocoa, we provided trade finance to other products such as Brazil nuts, bananas and sphagnum moss. For Central America, coffee continues to be the predominant commodity (85% of current portfolio). Due to the large number of coffee organisations in the region, there is a high demand for credit. For the secondary commodities, we have lending facilities to support honey, sesame seeds, and avocado.

We explored other countries such as Brazil this financial year. We have also found that there is an interesting market potential for growing the businesses of the Society in alternative crops such as fresh fruits and orange juice.

Thirty-one new lending proposals were approved for Latin America, which represents GBP 5.3 million facility value. The majority of these are focused on trade finance (96%), and the remaining 4% were term loans.

## Payments made to producer customers in LATIN AMERICA



IN 2018...



WE APPROVED

**31**

**PRODUCER LENDING PROPOSALS**

THIS INCLUDED

**10 NEW CUSTOMERS**

AND

**21 EXISTING CUSTOMER INCREASES**

FOR 11 DIFFERENT PRODUCTS

## Producer consultations in Latin America

This year, we sent a social impact survey (Appendix 8) to 84 producers as part of our Monitoring and Evaluation (M&E) research. We received a 44% response rate; 36 respondents were commodities producers.

We asked respondents about the working conditions of their paid employees. Sixty-eight per cent of respondents provide social security, health insurance and paid holidays. It is important to note that many of the co-operatives we work with also provide health insurance to the farmers and artisans.

This year, we held two producer committee meetings in Latin America - one in Peru and the other in Costa Rica. In total, 12 producers were involved, representing different commodities. The biggest challenges highlighted were available working capital to achieve export targets, product quality, productivity, and fluctuations of international prices.

Participants were asked about the main advantages of working with Shared Interest and areas for improvement. Responses showed that Shared Interest finance has helped their organisations to improve cash flow and strengthened relationships with their members. It was noted that a revolving line of credit has allowed some to strengthen their relationship with international buyers as they were able to fulfil their orders on time.

# Case Study

The Cooperativa Agraria Rodríguez de Mendoza (COOPARM) is a coffee co-operative with 489 farmer members in the Rodríguez de Mendoza province of the Amazonas region in Northern Peru. The co-operative was founded in 1990 by Father Antonio Rodríguez Arana, who had concerns about the low coffee prices in the local market. In its early years, COOPARM exported its coffee via the second-floor co-operative COCLA. It wasn't until eight years later that the organisation started to export directly, and another decade before achieving Fairtrade Certification in 2008.

The history of COOPARM is marked by ups and downs caused by external and internal issues. Since 2014, the co-operative has restructured its operations under new leadership led by the General Manager Ramiro Bocanegra, with the support of Father Antonio and the Board, comprising of farmers.

COOPARM has been a customer of Shared Interest for almost seven years. Initially, in November 2011, we provided an Export Credit facility of USD 300,000. Later, in mid-2013, the limit was increased to USD 450,000 and a Term Loan of USD 150,000 was provided for new coffee processing machinery. Between 2014 and 2016, Shared Interest was its only lender.

After four years of hard work and sustained growth, COOPARM's 2017 turnover amounted to USD 5.4 million. Of the 2017-2018 harvest, 94% of coffee was exported to Sweden, USA, Canada, New Zealand, Germany and the UK.

In early 2018, Shared Interest agreed to increase their facility to USD 750,000, given its increased export volumes. Subsequently, the co-operative has become one of our largest coffee producer customers in Latin America.



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*The organisation states that staff are 'very grateful' for the support received from Shared Interest during difficult times.'*

*COOPARM is participating in research to control plant diseases without compromising coffee quality. In addition, the co-operative is investing in improving the coffee production infrastructure at farm-level e.g. implementing solar dryers, small tanks for coffee washing and for handling the water resulting from coffee processing. COOPARM is also evaluating options for promoting income diversification among its members because earnings from coffee exports are highly seasonal.*

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## Africa Region

According to the World Bank, the agriculture sector in Sub-Saharan Africa is facing a financing gap estimated at USD 11 billion to achieve the desired expansion of agricultural output in the region. Shared Interest lends to smallholder producer groups in this region, providing them with the opportunity to grow their businesses and improve their income.

Of the 175 producer groups in our lending portfolio, 90 of these are based in Africa (51%). In terms of producer individuals, 403,095 are located in Sub-Saharan Africa. This is higher than South America because the number of small-scale farmers is higher in Africa compared to other regions.

We made £9.6 million worth of payments to these producers, representing 23% of the total payments sent. Côte d'Ivoire is of particular importance; a large proportion of the world's Fairtrade cocoa is produced in West Africa. Payments totalling £6.4 million were made to 21 customers in Côte d'Ivoire, with customers applying for short term lending.

In East Africa, we have increased our lending in Rwanda and now have 13 producer customers, which is equal to the number we have in Kenya. This is because coffee production has increased significantly due to various government schemes, including free seedling distribution to farmers in high altitude areas, hence an increase in demand for export credit.

In this region, 30 new lending proposals were approved, combining both new and existing customers and representing £4.5 million in terms of facility values.

In East Africa, we diversified from the conventional products of coffee, tea, and nuts to summer flowers and grains such as maize. There is also demand for lending to coconut and moringa growers in Kenya, cotton in Tanzania, and cocoa in Uganda.

In West Africa, we continue to lend to producers of cocoa,

cashew, fresh fruits, dried fruits, shea butter, and handicrafts. Cashews have performed poorly for the past two consecutive seasons due to price fluctuations. The lack of Fairtrade market for this commodity makes the trade less profitable and as a result, cashew producers have struggled to keep up with their repayment plans. Newly targeted commodities in the region are cotton, cereals and vegetables. Prospective lending countries are Senegal, Liberia and Mali.

As with other regions, Shared Interest continues to work

mainly with African producers who are FLOCERT and members of WFTO. Producers have explained that they have seen benefits from carrying this certification, as they have a price advantage compared to conventional sales. Organisations have been able to use Fairtrade Premium funds for community projects, health centres, schools, or even road access in rural areas. However, others have felt that there have been minimal benefits working under FLOCERT as the accreditation cost is too high and commercial buyers are increasingly preferring to buy conventional produce which carries a lower price. Therefore, we are extending our reach to producers outside of FLOCERT but who follow the Fair Trade Principles.

## Payments made to producer customers in AFRICA



### IN 2018...



WE APPROVED

# 30

**PRODUCER LENDING PROPOSALS**

THIS INCLUDED

**18 NEW CUSTOMERS**

AND

**12 EXISTING CUSTOMER INCREASES**

FOR 10 DIFFERENT PRODUCTS

There have been various challenges during the year including the late submission of financial information, especially where organisations are led by one person, which makes our annual review of their account difficult to carry out. It is also important to note that in some cases, communication poses a challenge as the producer groups do not regularly access their emails due to poor internet connection or limited technology knowledge. In addition, small organisations can lack administrative support and training on various aspects of their business and what they can do to improve their account management.

CSAF reported a 24% growth in business in the African region for all social lenders and this is reflected in our portfolio. We have increased our customer count here from 75 in 2017, to 90 in 2018. In terms of the strategy used by other social lenders in the region, it is worth noting that some lend in local currency along with offering equity investments, which Shared Interest does not provide to their customers. Many of them also offer a lower interest rate than Shared Interest but do charge a renewal fee or disbursement fees, which we do not. There are indications that our lending conditions are more flexible than those of our competitors. For example they require security for Term Loans, which is not always a condition precedent for us, which is one of our biggest advantages. It provides a strategy to retain customers, even after those organisations have seen substantial growth.

### **Producer consultations**

This year we have sent a social impact survey to 82 producers as part of our M&E research and we received 38 completed responses, a 46% response rate (excluding 11 partial responses). Thirty respondents were commodities producers. We asked the organisations how the Fairtrade Premium was used.

Producer usage of the Fairtrade Premium is determined at the organisation's Annual General Meeting. At the beginning of the year, the producer groups create a Fair Trade Development plan, which is approved by the members. This year, around 50% of the Fairtrade Premium

was spent on community development projects. A portion is sometimes allowed to be used for debt repayment. However it is important to note that the producers cannot use the entire annual premium for this.

We also held two producer committee meetings in Africa; one in Kenya and the other in Ghana. Twelve producers attended these meetings, representing both commodities and handcrafts. The majority of participants have benefited from governance training delivered to producers as part of the implementation of Shared Interest Foundation's Access to Finance project, and a regional team member reported that 'the training has shifted mind set and created awareness in delegating and ensuring that there is a succession plan.'

The biggest challenge highlighted by many of these groups was low production, as well as lack of market access and marketing expertise.

# Impact Case Study

Founded in 1985 by Anthony Botchway from Ghana and Martins Suter from Switzerland, Bomarts Farms Limited started life as a business with three acres of land used only for pineapple farming. Today, they have grown to be one of the major players in the fresh fruits export business, and a vital employer in the Eastern Region of Ghana.

Located in Nsawam, Bomarts now employs over 400 full-time, 60% of whom are women. Not only is Bomarts working to deliver social impact in the community, they also play a very important role in Ghana's economy by providing direct employment opportunities for farmers.

The production of tropical fruits for export started in Ghana in the 1990s. This was part of the Government's diversification programme, aimed at reducing the country's over-reliance on primary commodities such as cocoa, timber, and gold. Since then, the industry has experienced rapid growth.

Bomarts started exporting fresh fruits to Europe as early as 1998. They became Fairtrade certified in 2002 and realised there was scope to take advantage of the growing popularity of Fairtrade products in Europe.

Until recently, drying fruit was a means of preservation, but now dried fruit is a product in itself. Increasing demand from health conscious consumers has resulted in a thriving market. Technological development now allows Bomarts to produce an easy-to-eat, tasty, non-sugar-coated product, which still maintains the main characteristics of fresh fruits. While fresh fruits export remains high, demand for dried fruits has overtaken that of the fresh variety. Their production now consists of 60% dried fruits and 40% fresh fruits.

In 2013, Bomarts became a Shared Interest customer when they received a loan to expand their fruit-drying factory. The expansion helped them to buy more fruits from farmers and ultimately, increase production volumes. Prior to this, Bomarts had serious challenges paying producers. Bomarts received further Shared Interest loans in 2014 and 2016 to purchase additional ovens, and expand their processing factory to meet international standards. The increase in production capacity has led to the employment of more factory workers and improved Bomarts' ability to meet customer deadlines. Coupled with improving the production process, Bomarts undertook some expansion projects at the factory following receipt of the term loan in 2016. They then shifted from the use of liquefied petroleum gas to bio-mass as a source of energy to power the boilers used to dry the fruits. The bio-mass technology was more cost effective and reduced drastically the operational costs of the business. The full study is available in Appendix 9.

*Bomarts has undertaken a number of projects in education, health, water and community sanitation. They provided funding for the construction of educational facilities in Mmampehia, a community located in the Eastern Region and Tafe in the Volta Region of Ghana, improving basic education in those communities.*

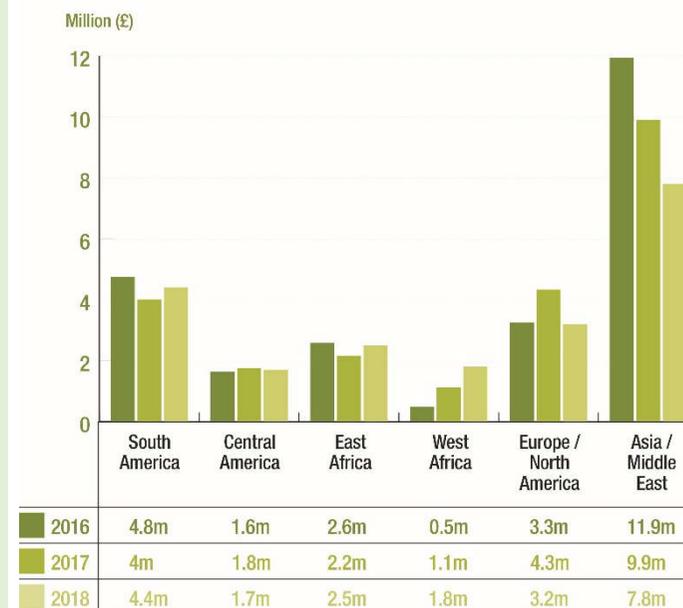


## 1.2 Providing financial services to buyer businesses

### Northern Hemisphere and Pacific Rim (NHPR)

This region consists mainly of buyer organisations based in North America and Europe (32) with a small proportion of producers in Asia (3). Of the funds lent to buyers, 86% are used to pre-finance orders, with the remainder being credit facilities, which have been consolidated into loans as a result of customers falling behind on scheduled repayments and into arrears. Shared Interest is one of the few social lenders to provide credit facilities to buyer organisations in the Northern Hemisphere. Without these buyer organisations, many producer groups would have limited market access.

Total payments made on behalf of buyer customers by region



The graph above shows a breakdown of payments made to producer organisations who do not hold an account with Shared Interest but who do receive payments from us on

behalf of their buyer partners. Although this region has fewer customers, the total payments equal £21.4 million.

Fair trade buyers are required to provide producers with a 50% payment on placing the order as per the WFTO Fair Trade Principles. This can place financial pressure on the buyer's cash flow and Shared Interest plays a vital role in filling this gap by sending money to producers on behalf of the buyer; we call this a 'recipient producer payment'. This year we made 1,589 recipient producer payments to 253 organisations in 55 countries.

The majority of recipient payments are sent to Asia, primarily to Nepal, Bangladesh, India and Pakistan, where there is a large concentration of fair trade producer organisations. We are unable to lend directly to producer organisations in these countries due to their financial regulations but by providing a facility to buyer organisations, we can indirectly assist these producers to access working capital.

While some of our customers operate on a seasonal basis, many utilise their facilities for almost all of the year. Whilst utilisation patterns are very hard to predict, we are fortunate that many of the customers in this portfolio (69% in the financial year) are able to provide us with forecasted utilisation for a 12-month period. However, should some of these larger customers not borrow at the levels they have indicated, this can have a significant impact on our income compared to budget.

The portfolio in this region is diverse; there is no predominant crop or product. Most customers are importers who sell a variety of products ranging from processed foods such as cookies and cereal bars, to jewellery, clothes and home décor.

Allocation of resource in the portfolio has been limited in the last financial year following the involvement of one staff member (of two) in the redevelopment of Shared Interest's internal lending database. Therefore, the mix and size of the portfolio has remained static. Despite this, we were able to introduce one new product

(Guaraná) into the portfolio through a French organisation.

Following the five-year Strategic Review, approval was given to explore expansion into Asia. Tentatively, we have begun to research opportunities and expand our network in the region. Upon completion of the new lending system, we will be able to allocate more resource to this aim.

The craft market, evidenced through the buyers to whom we lend, has been in decline over recent years. This can be seen on the graph on page 18 where the payments to producers in Asia – the location of a large proportion of handcraft artisans - reduced from £9.9 million in 2017 to £7.8 million in 2018. The knock on effect has already been experienced through some of our small producer customers who have seen either a decline in orders or an end to trading relations. This impact is not just felt in the South, with additional reductions in the levels of North-North trade being undertaken. This could in the longer term have ramifications for other customers.

### **1.3 Implementing an efficient lending system to improve customer service**

Developed in-house in 2006, the existing lending database manages both the transactions and associated statements of the lending portfolio. Shared Interest has changed significantly since its design, with a broader range of products offered, a wider portfolio of reporting options, increase in customers and a sizable growth in the annual lending value disbursed. To support the future growth and evolution of the Society, a new lending system is being implemented to create a secure platform capable of managing a large amount of sensitive data and the daily processing of international transactions.

## IN 2018...



WE APPROVED

# 7

**BUYER LENDING PROPOSALS**

THIS INCLUDED

**1 NEW CUSTOMER**

AND

**6 EXISTING CUSTOMERS**

# Case Study

Lucuma Designs' Senior Managers and Founders, Alessandra Bravo and Don Blackowiak, have been committed to sharing beauty and sustainability since joining the Fair Trade Federation in 1999. They are passionate about creating opportunities through artist collaboration and long-lasting personal connections, so artists can excel while preserving Peruvian and Costa Rican traditional crafts. This year, they joined the '1% for the Planet' network to step-up their environmental and sustainability efforts.

In the spring of 2016, Lucuma Designs contacted Shared Interest and applied for a buyer credit facility. Since many sales are made for the festive season, cash flow was tight around autumn. With the approved credit, they were able to improve their production management, placing advance orders with their artists and increasing their inventory. This reduced the number of missed orders in the autumn.

Lucuma Designs works with over 270 artists, of whom 80% are women from 22 small groups and family workshops in Peru. Most women knitters are members of the Aymara ethnic minority near Lake Titicaca. Their work gives them a stronger voice in their households and communities. Since 2016, Lucuma Designs has also been working with a collective of traditional mask artists in Boruca, Costa Rica who are rediscovering their cultural roots.

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*Thanks to their sister company Apumano SAC, which employs five full time employees in Lima, Lucuma Designs is able to maintain close contact and co-ordinate with artists day to day. They also provide business know-how assistance, and interest-free loans as needed.*

*To measure their impact, Lucuma Designs frequently visits their artists and have seen improvements in many groups. Five years ago, their gourd carvers created an after-school program through their church, which provides meals for over 300 children in their community. Many knitters are working primarily to send their children to school.*

*Due to the increased cost of living in Peru over the last 15 years, more artists have been struggling. Lucuma Designs is committed to support communities in every way they can and are determined to find better ways to expand their reach.*

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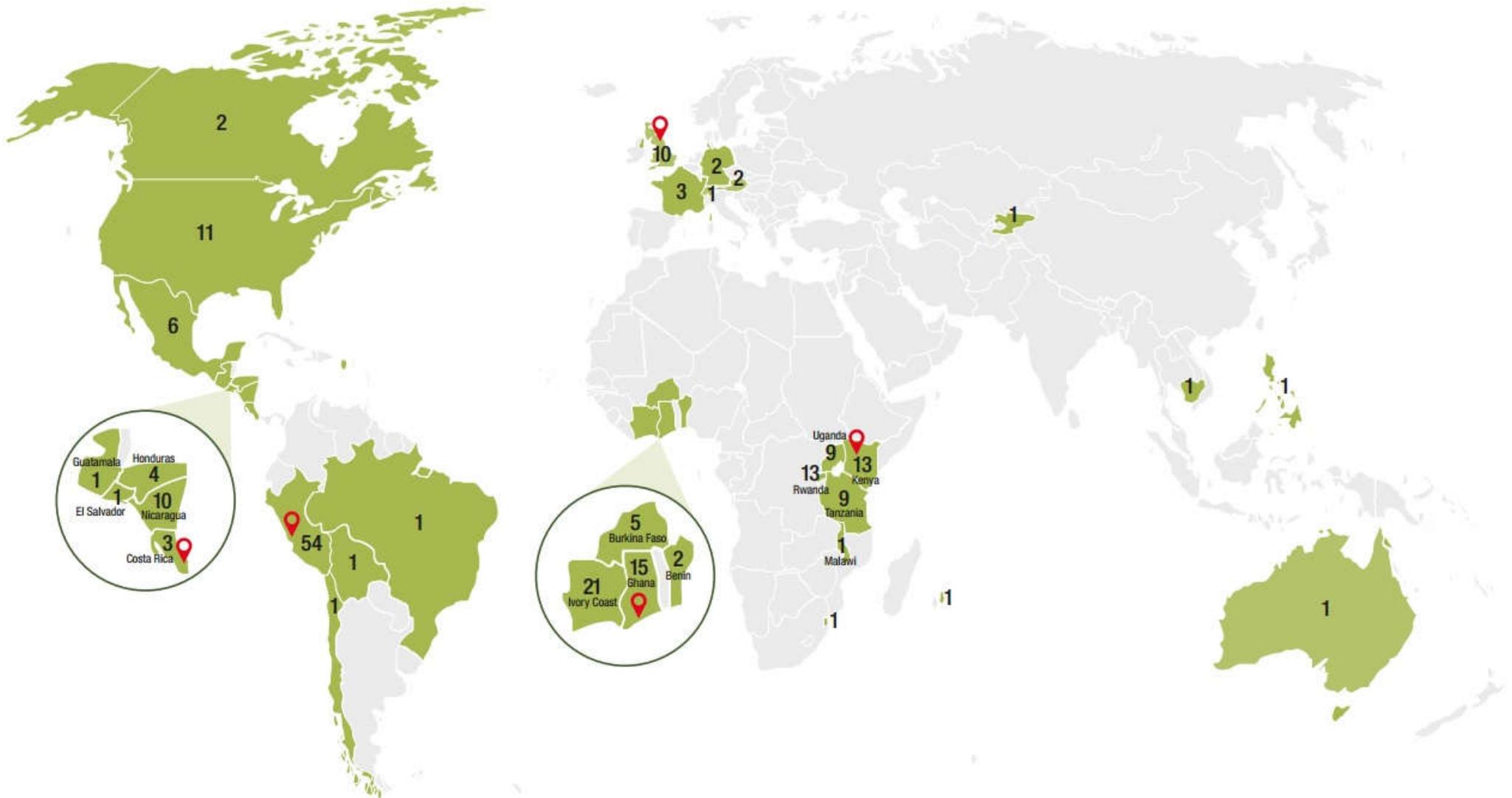
*“I felt the need to give back to my country and stay connected, so Don and I joined our talents and creative juices to provide work for top artists in need. All this while having fun, inspiring and guiding the creation of beautiful handmade gifts that tell a story.”*

*Lucuma Co-Founder, Alessandra Bravo*

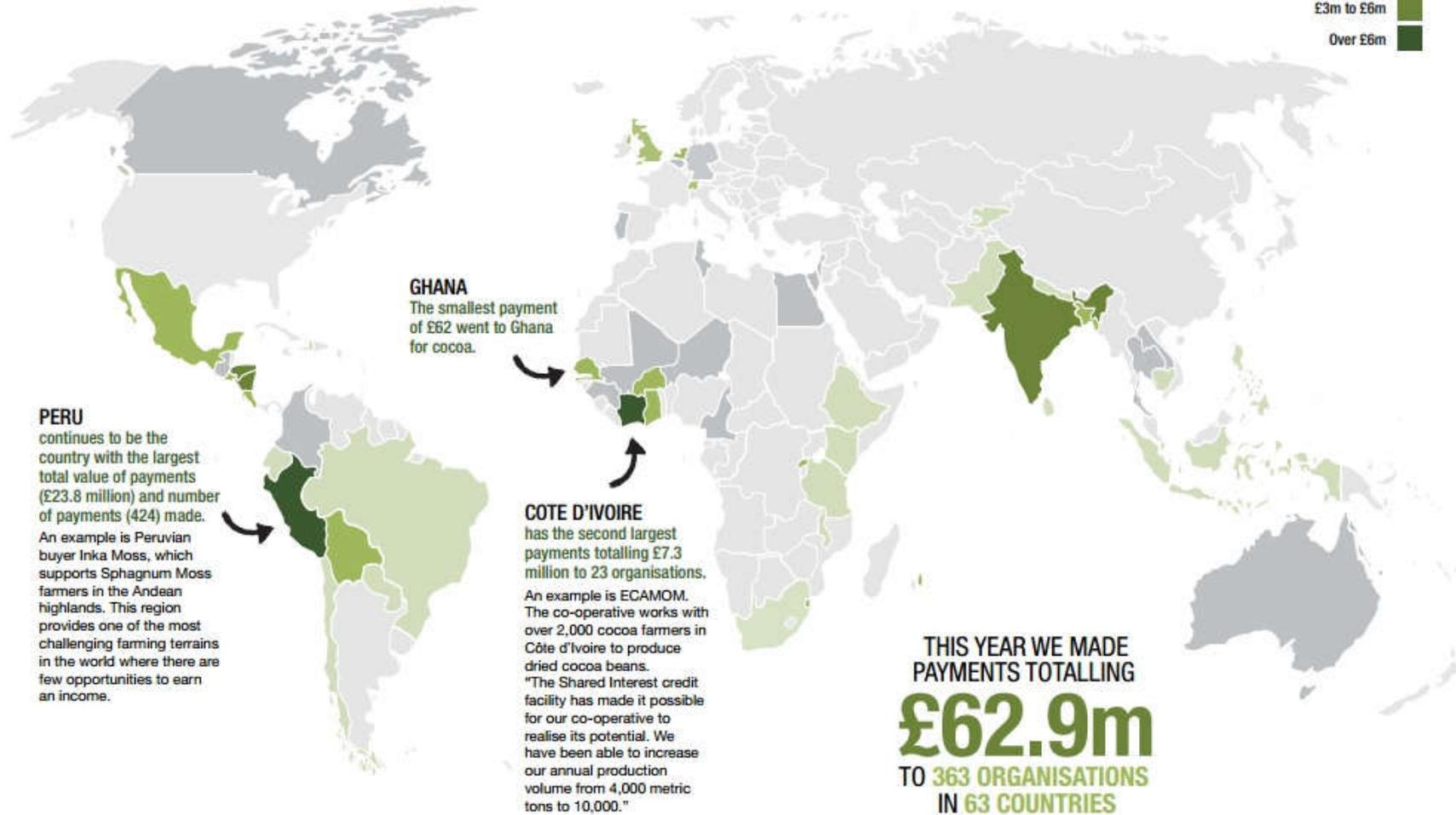
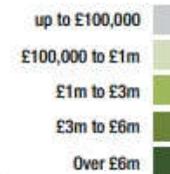
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# Number of customers per country in 2018

 Location of Shared Interest office



# Where we made payments in 2018



## Aim 1, Activity 2: Build sustainable support for fair trade businesses

Over the past 12 months, our charitable arm, Shared Interest Foundation, continued to provide technical assistance to support small-scale producer groups in Africa. The main aims were to strengthen governance capacity, build strong and resilient businesses, develop financial capacity and increase income streams to improve the quality of life of their members.

### 2.1 Delivering training programmes to meet producers' needs

#### Project 1: East Africa Governance and Finance Training Project

This is a two-year project involving 20 producer organisations from the coffee, tea, cocoa and handcraft sectors in Uganda and Kenya. Five representatives from each organisation are taking part in the training programme. Twelve of these organisations are existing customers of Shared Interest Society.

The project launched this year and saw us deliver governance training to 100 individuals, including Board and Management Team members. Through the training, the leadership of the co-operatives was able to identify the governance challenges facing their organisations and took the necessary steps to address them. The co-operatives were also mentored on good governance practices and were supported to develop policies to strengthen their governance structures.

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*“The training on governance was a timely intervention and we are grateful to Shared Interest and their partners for the opportunity. The training unearthed the specific issues facing our organisations and the lessons learnt through the sessions will strengthen our governance system and*

*make us strong again” James Okelle, Mpanga Growers Tea Factory Limited.*

*“The training was very relevant. It has improved my knowledge and understanding of co-operative governance. I am going to take back what I have learnt and use this knowledge to make our co-operative stronger!” (Johnson Mujuri, Bundikakemba Growers Co-operative)*

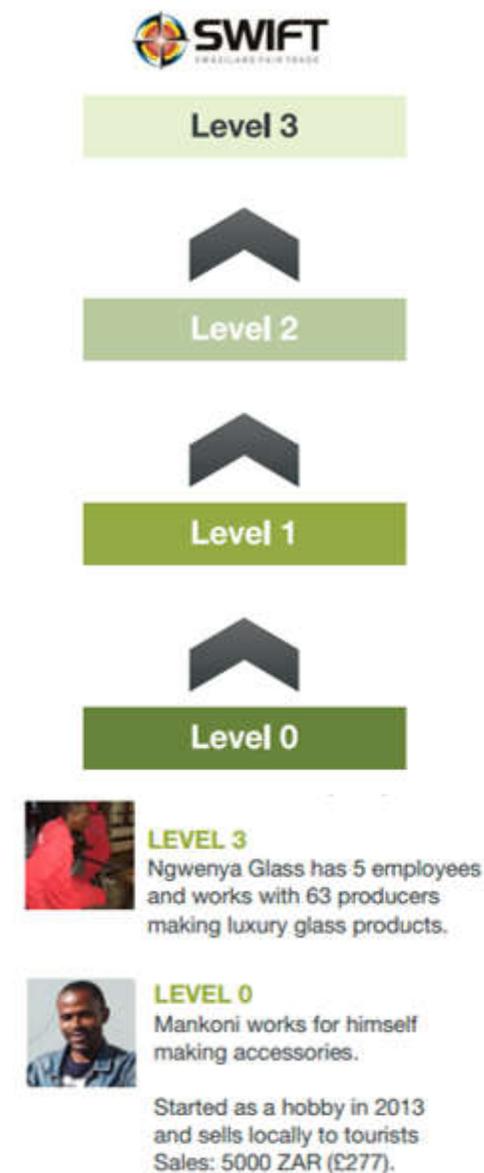
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Following the training, the co-operatives have developed action plans to address the governance issues facing their organisations. In year two, the focus will be on building the financial capacity of these co-operatives to run their businesses profitably.

#### Project 2: Improving producer livelihoods in Swaziland

This is a four-year project, started in 2015 in partnership with Swaziland International Fair Trade (SWIFT), to assist with the alleviation of poverty and social deprivation in Swaziland. We are currently in the final year of this project, designed to create economic opportunities by supporting enterprise development. The SWIFT six month progress report is available in Appendix 12.

There are four main outcomes: Outcome one relates to the lower level businesses (Levels 0 & 1), looking at their growth, sustainability and employment provision. Outcome two, which focuses on medium and higher level businesses (Levels 2 & 3), focuses on increases in sales, producer income and market access. Outcome three deals with the effectiveness and sustainability of SWIFT as a fair trade support network. The fourth outcome assesses the support system for HIV/AIDS and general well-being issues in the workplace. Each of these outcomes is listed in detail on page 25.



The project has continued to support local businesses to grow sustainably and create employment opportunities. It also contributed to the improvement in the revenue streams of handcraft businesses, enabling them to increase wages of their workers to meet their basic needs.

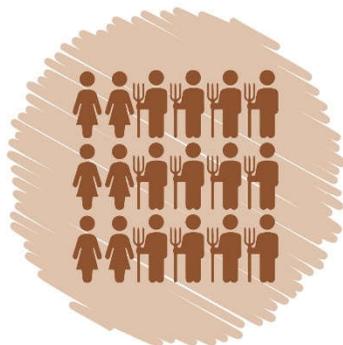
Coalition on HIV and AIDS (SWABCHA). To date, the project has supported 7,607 rural producers and artisans. During the year under review, we supported 2,240 handcraft producers including 1,930 women to increase their income and provide adequately for their households.

During the past four years, we have built the capacity of Swaziland Fair Trade (SWIFT) to operate as a sustainable country network to provide on-going support to Swazi enterprises. In addition, the implementation of the HIV/AIDS integrated wellness programme has contributed to promoting the general well-being at work, to achieve increased productivity. The programme was implemented in partnership with the Swaziland Business

## SHARED INTEREST FOUNDATION IN 2018



WITH THE  
SUPPORT OF  
**641 DONORS**  
& 8 GRANT MAKERS



WE SUPPORTED  
**132,818**  
FARMERS & ARTISANS  
INCLUDING 43,700 WOMEN



DELIVERING  
**4 PROJECTS IN**  
**5 COUNTRIES**  
IN AFRICA



SUPPORTING  
**105**  
PRODUCERS OF  
6 COMMODITIES

**Outcome 1: Swazi micro-enterprises have grown and are operating as sustainable businesses providing local employment.**

In the past year, we have successfully provided business development training to 45 micro-enterprises, including 30 Level 0 and 15 Level 1 businesses. Through the training, we built the capacity of these businesses in customer service and marketing, product development, strategic planning, and basic computer skills. We supported the 10 best performing Level 0 businesses to attend an international gift show, the only trade exhibition of its kind in the Southern Hemisphere. This provided an opportunity for these businesses to conduct market research and learn from others to improve their products. Once again, three micro-enterprises supported through this project achieved success at the National Annual Entrepreneurship Award (EYA) winning ZAR 15,000 (£828) each to support the growth of their businesses.

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*“Without Shared Interest as our partner, Swaziland Fair Trade would never have been able to take such large strides to eradicating poverty in Eswatini. Under the Comic Relief sponsored programmes SWIFT and Shared Interest have been able to capacitate and support our members to achieve a 49% average sales increase, create 517 sustainable new jobs and increase wages for producers and employees by 47%. We are sincerely grateful for this partnership” (Julie Nixon, SWIFT Country Manager)*

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**Outcome 2: Medium and higher level enterprises have expanded their businesses and contribute to the improvement in the livelihood of their producers and employees**

During the year, the medium and higher-level businesses attended four training sessions delivered by SWIFT. Topics covered included operations and product planning, product development, market access and industry wide training to enable them to increase their export sales and access new markets. In addition, we support the higher level businesses to upgrade their business equipment and increase their market competitiveness.

The higher-level enterprises were supported to co-ordinate and host three buyer visits to Swaziland. The enterprises used the opportunity to promote their products and secure new orders from domestic and international buyers. These visits generated ZAR 14,320 (£820) in commission for SWIFT alongside invaluable feedback for the member businesses from the buyers regarding product design and packaging.

By the end of year three, 16 businesses had increased their annual sales by over 25% when compared to the baseline sales figures. This increase in sales resulted in 1,563 producers (73%) being paid above the minimum wage for their work. In addition, seven businesses were able to access new markets increasing their sustainability and widening their customer base.

**Outcome 3: SWIFT operates as a viable and sustainable membership network, providing quality services to members and advocating for fair trade in Swaziland.**

SWIFT has continued to raise the profile of handmade products both at national and international level with positive results as evidenced within Outcome 2. This has attracted new members to the network, bringing the total number of active and subscribing members to 70. SWIFT embarked on a campaign to broaden their

membership base by engaging with hotels and tourism groups in the country.

SWIFT has balanced capacity building and market access initiatives to increase export sales for the medium and higher-level enterprises. Their success in these areas saw them receive industry recognition from the Swaziland Investment Promotion Authority and Swaziland Tourism Authority. The comment below illustrates the appreciation and gratitude from the businesses and beneficiaries supported through the project.

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*“I am happy to be part of SWIFT. The training in product development helped me to design new jewellery. The project supported me to access new markets to sell my goods. I was able to contribute my Swazi flair beadwork to the Bush Fire Artists gift packs.” (Fikile Bhembe Ematini)*

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**Outcome 4: Employees and producers of SWIFT member businesses have improved support systems for HIV/AIDS and well-being issues in the workplace.**

Producer health and well-being has continued to be an integral part of this project. SWIFT is continuing to work in close partnership with SWABCHA to educate and engage workers and employers about HIV and wellbeing issues facing workers. SWABCHA reported that since the project started, attitudes towards employee wellness have improved with business owners recognising the importance of employee health and well-being.

The project's Wellness Champions share information and promote behaviour change in the workplace and communities. During the year, Wellness Champions from six companies were trained on HIV/Aids and gender-based violence and in total, 299 individuals were

referred for health care services including HIV screening, diabetes tests and blood pressure monitoring. The focus of this year was to assist medium and higher level organisations to develop HIV/ wellness policies. Through consultations with SWABCHA, SWIFT has developed a policy template for all medium and higher level organisations to develop their policies during the fourth and final year of the project.

A recent report reviewing the first six months of 2018, showed that SWIFT have continued to support member businesses. They have seen increased sales and improved the income of workers and producers directly benefitting 2,349 people. Orders placed by international buyers in Spain, South Africa, UK and USA have generated total sales of ZAR 538,995 (£33,627) for SWIFT members.

In May 2018, SWIFT supported members to showcase their products at the MTN Bushfire Arts Festival, one of the largest music festivals in Africa, where they made sales totalling ZAR 633,584 (£36,416) over three days.

Finally, in June 2018 SWIFT hosted a 'Meet the People Tour' in collaboration with UK based company Skedaddle Tours. During this trip 12 fair trade consumers visited SWIFT member businesses generating total income in sales and commission of ZAR 38,500 (£2,213). Two further tours have been booked for January 2019 as part of the drive to bring tourism into the fair trade family.

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*“Through trainings and market linkages, SWIFT has provided us with the essential skills to run a successful handcraft business on a professional level. They have put us in contact with suitable markets, linking us with likely companies with business opportunities, which has seen our little businesses grow sustainably. The Peer Educator Programme, which was introduced as part of this*

*project has increased awareness about HIV/AIDS and general well-being at the work place. The knowledge we have acquired through this programme has helped us and our families to keep strong and healthy. We are situated in a very rural area of Swaziland and to have a program that, not only provides up to date information on social and health related issues, but also points others in the right direction to find them help was a great initiative and I am happy to be a part of it.”*  
(Zoe Fourie, Zoggs)

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### **Project 3: Building sustainable futures for the handcraft sector in Rwanda**

In November 2017, we came to the end of this two-year project implemented in partnership with the Rwanda Forum for Alternative Trade (RWAFAT), to support the development of a sustainable handcraft sector in Rwanda. The full end of year report can be found in Appendix 10.

In the final year, we delivered activities relating to training and skills development and supported producer organisations to increase their access to markets and trading opportunities.

Twenty artisans from 10 co-operatives attended a two-day training course, which provided them with skills to develop a business plan and build their business management capacity. Following the training, feedback showed that 95% of participants found the training very useful for their business. The chairperson of CODUTK co-operative, a participant of the course, stated:

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*“The training was a mind opener; it has helped us to restructure our businesses and improve on the*

*quality of our products.”*

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With our support, the co-operatives attended three trade shows in Rwanda's capital, Kigali, to network with buyers and promote their products, resulting in increased sales. Murebwayire Odette from BURANGA cooperative stated:

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*“Thanks to the current exhibition, I was able to increase sales and made more income, which enabled me to meet my financial obligations including payment of rent, taxes and membership fees.”*

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To assess project impact, a survey was conducted at the close of the project with 100 randomly selected producers focusing on sustainability and the future of their business. Eighty-six per cent of businesses had improved their financial record keeping and the percentage of producers who felt their business would be successful increased from 66% to 95%.

Over the two years, we supported RWAFAT to build their financial capacity, improve their project management, as well as monitoring and evaluation systems, and develop a three-year business plan to ensure a sustainable growth of their business in the coming years.

### **Project 4: Providing sustainable solutions to poverty in Malawi**

In 2016, we started a three-year project working in partnership with Malawi Fairtrade Network (MFTN) to reduce poverty levels among their producers. The network's income had been declining in recent years as, due to a decrease in produce sales, members were unable to pay their membership fee. This impacted upon

MFTN's ability to provide adequate support to their members.

Over the past year, we delivered training and mentoring to five co-operatives, with the aim of supporting them to increase their farm yield and improve their sales and income.

An initial baseline study and beneficiary survey outlined the needs of the co-operatives and provided the basis for monitoring progress and assessing impact. Results from the survey showed that 95% of respondents worried about the sustainability of their business. Only 13% believed their business would be successful, 87% were not able to meet their production targets, and 69% did not have good financial record-keeping. Using this information, training was tailored to meet the individual needs of each co-operative.

In total, 96 beneficiaries from tea, macadamia nut and groundnut co-operatives, including 34 women, attended a two-day workshop on good agricultural practices facilitated by agronomists from Malawi Ministry of Agriculture. This training covered planting and harvesting techniques, fertiliser application, pest and disease control and general farm maintenance. After completion, 85% of participants said this was the first training of this nature they had received since starting their farming business and described the training as 'eye-opening'.

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*“I was losing money because most often than not my tea leaves were rejected by the buyer due to poor quality. After taking part in the training, I learnt the best harvesting techniques and since then my tea has no longer been rejected. Now my income from tea has increased from MWK 3,000 (GBP 3.14) per month to MWK 15,000 (GBP 15.70) per month” (Mary Piyo, female tea farmer, Thuchira Tea Association)*

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*“The training has exposed me to the best practices for maintaining my tea garden. I have adopted these practices and for the past six months my yield has increased. My income from tea has gone up from MWK 25,000 (GBP 26.17) to MWK 100,000 (GBP 104.70) in six months”. Eliza Mwalimu, tea producer with Sukambizi Tea Association*

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We are now part-way through year two of this project and each co-operative has received one-to-one mentoring tailored to address their specific needs and challenges. The next step is to build the business and financial capacity of these co-operatives to run their businesses profitably and sustainably and this will be the focus of our activities for next year.

## **2.2: Developing Strategic Partnerships**

Partnerships continue to play a vital role in enabling us to reach producer groups and develop our projects. They are essential to the sustainability and delivery of our activities.

Over the past year, we have continued to work closely with our partner organisations in Malawi (MFTN), Swaziland (SWIFT) and Rwanda (RWFAT). With their local knowledge, connections, and experience, we have been able to reach those most in need of our support and provide them with the skills and training required to grow their businesses and move towards sustainability.

Following the Foundation's Strategic Review in 2017, we are now working to develop partnerships with organisations that specialise in areas outside of our own expertise, including climate change and biodiversity. This will enable us to expand the services we provide to meet the changing needs of the producers we seek to support.

Over the next year, we look forward to continuing our relationship with WFTO, and developing our partnerships both locally and globally with organisations including

Plateforme Nationale du Commerce Équitable Burkina (PNCEB) in Burkina Faso, RICE in Côte d'Ivoire, FTGN in Ghana and COCO in Newcastle upon Tyne.

There will also be two new projects implemented within the next financial year. In Swaziland we extended our partnership with SWIFT to deliver Crafting Fairer Futures, a one year project funded by the Evan Cornish Foundation. This project will provide business support and product diversification training to 100 women who sell their products at the Manzini Bus Station in central Swaziland. Meanwhile, through a one-year programme in Burkina Faso, we will be supporting 50 women to train to become beekeepers. The Bees for Business project has been funded through a restricted donation from Mr T.M. Dickety. Both projects are aimed at developing sustainable and sufficient income for producers and their families.

# Aim 2

*DEVELOP OUR COMMUNITY OF INVESTORS, THE SUPPORT OF DONORS AND VOLUNTEERS, AND PARTNERSHIPS WITH THOSE WHO SHARE OUR COMMITMENT TO FAIR AND JUST TRADE*

## Activity 1 – Attract and retain investors, donors and volunteers

Shared Interest Society is a society registered under The Co-operative and Community Benefit Societies Act 2014, and is also a member of Co-operatives UK. It is owned and controlled by its members. By opening a Share Account, our members receive non-transferable shares to the value of the investment (£1 = 1 share). We are the only accredited open share offer to have received the Community Shares Standard. Sitting alongside the Society is sister organisation Shared Interest Foundation, a registered charity funded by donations and grants.

In order to fulfil our mission, Shared Interest Society depends on the support of investors, donors, volunteers and partners. These stakeholders play vital roles and make invaluable contributions towards improving the livelihoods of people and communities in some of the world's most disadvantaged communities.

In this section, we explain how we develop this stakeholder community, highlighting their critical roles in helping Shared Interest achieve its mission.

### Our investors

Our membership is diverse and includes faith groups, fair trade partnerships, small businesses, schools and community organisations as well as individuals. This year we significantly increased investment with a closing Share Capital total of £41.4 million, a net increase of £2.01 million. This investment allowed Shared Interest to lend to 207 customers across the globe and thereby increased their access to finance to grow their businesses, generate more employment, and improve the lives of producers and their communities.

The average age of a member is 63, a reduction from 68

## MEMBERSHIP



years in 2014. The age of members ranges from 16 to 101 years (Share Accounts can also be held on behalf of those aged under 16 and the youngest child for whom a guardian holds an account is eight months), although the highest concentration of members stays with the 65-74 age category. Our members remain loyal, with the average length of time a member holds a Share Account being 14 years. The average investment from a new member is £1,231; 21% lower than the previous year, which is largely due to a greater number of members opening their Share Account online with a small initial investment. We continue to promote the online portal to current members in QR, and to new members through advertising activity.



### SHARE CAPITAL

NET INCREASE IN SHARE CAPITAL: **£2.01m**



# Lending impact

Without the investment from our members, Shared Interest would not have the capital to lend to fair trade businesses in need of finance.

UGF/CDN (Union des Groupements Feminins Ce Dwane Nyee) is a shea butter co-operative located in Reo, Burkina Faso. The women-led association was established 25 years ago, with a vision to build female solidarity to fight injustice through the production and processing of agricultural and forest products. Shared Interest is supporting them in their journey to increase their supply of shea nuts and make improvements to their processing equipment. Although these changes sound fairly small, the impact on the organisation has been significant, particularly in terms of productivity.

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*“Some of the women have built new homes for themselves, started schooling their children, and paying their medical bills.”*

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# Training impact

Without the support of our donors and trusts, Shared Interest Foundation could not run life-changing projects for businesses in need of assistance.

Thanks to UK donors, Shared Interest Foundation can support Khutsala Artisans, whose profits go to the care and education of orphaned or abandoned babies in Swaziland.

Last year alone, over 500 organisations benefited from Shared Interest Foundation support, and thanks to Comic Relief, we have continued to work in partnership with Swaziland International Fair Trade (SWIFT) to help groups like Khutsala Artisans.

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*“It is our desire to provide hope through beauty, design and excellence, while helping the people of this nation break the cycle of poverty and provide for their families.”*

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The photograph shows the first nine abandoned children, who were rescued as babies by Khutsala in 2012.

## Our donors and support from trusts

Total income for Shared Interest Foundation increased in the year. Although restricted income was down, there was an increase in unrestricted income following a legacy campaign and increased digital promotional activity. We placed a focus on faith press, using various digital advertising channels to bring in unrestricted income. There was also an overall increase in the number of donors from 513 to 641.

|      | Number of Donors | Total Unrestricted Income | Total Restricted Income | Total Income |
|------|------------------|---------------------------|-------------------------|--------------|
| 2015 | 390              | £130k                     | £258k                   | £388k        |
| 2016 | 453              | £101k                     | £137k                   | £238k        |
| 2017 | 513              | £150k                     | £106k                   | £256k        |
| 2018 | 641              | £130k                     | £137k                   | £267k        |

The full Foundation accounts are available in Appendix 2.

Project funders are listed below in alphabetical order:

- Bees for Business Project: Mr T.M. Dickey
- Building Sustainable Futures for the Handcraft Sector In Rwanda: Souter Charitable Trust
- Improving Producer Livelihood in Swaziland: Comic Relief
- Crafting Fairer Futures In Swaziland: Evan Cornish Foundation
- Malawi Sustainable Solutions to Poverty: The Marr-Munning Trust (Appendix 11)
- Strengthening Governance and Financial Capacity of Producer Groups In East Africa: KMF Maxwell Stuart Trust

In addition, Shared Interest Foundation received donated time in kind and raised funds through individual donations, which have contributed towards the running of these projects. These programmes have enabled producer groups to grow their businesses sustainably, create employment and benefit many people in their respective communities.

## Our volunteers

There is no such thing as a typical volunteer at Shared Interest. However, all of our volunteers share our vision of a fairer world. Shared Interest has involved 90 volunteers over the year across a variety of roles. At the end of the year, there was a total of 67. This is due to some of the roles being temporary such as data entry, and also because some volunteers decided to leave their role.

| Volunteer role                     | No. of volunteers currently in this role |
|------------------------------------|--|
| Administration supporter           | 3  |
| Ambassador                         | 36                                       |
| Community supporter                | 22                                       |
| Translator                         | 6  |
| Data entry volunteer (ad hoc role) | 10                                       |

We said farewell to 20 volunteers over the year. The main reasons given for leaving, other than that the role ended, were other commitments including family, and a change in health. We do occasionally lose contact with a volunteer and, while we make efforts to reconnect with them, some volunteers leave their roles without offering a reason for doing so. More information about volunteer roles is available in Appendix 16.

## Our volunteer network at a glance

The table below shows an increase in enquiries and new volunteers compared to last year. We partnered with Newcastle University to encourage students to volunteer with us in a data entry capacity, and also used a volunteering website named Do-It to source translation roles. Subsequently, we welcomed seven new translator volunteers and 10 data entry volunteers. These volunteers worked with us to translate sections of the Shared Interest website and complete our member survey data collation.

|   | 2016-17 | 2017-18 |
|---|---------|---------|
| Number of volunteers                                  | 69      | 67      |
| Number of volunteer enquiries                         | 7       | 44      |
| Number of new volunteers                              | 8       | 25      |
| Number of leavers                                     | 26      | 20      |
| New volunteers as a % of total volunteers             | 9%      | 22%     |
| % of leavers who would recommend volunteering with us | 67%     | 100%    |

In total, we welcomed 25 new volunteers to Shared Interest over the year and ran 16 induction-training sessions. We continue to offer ongoing support through e-newsletters, volunteer meet ups and online forums. We also developed new support tools including 'Did You Know' e-newsletters focusing on risk, governance and membership. To celebrate Volunteer's Week, we sent a thank you card and gift to our volunteers and featured some volunteer case studies on our website and social media. We also gave an update to staff to raise awareness of the contributions of our volunteers. A map showing the location of our volunteers is available in Appendix 17.

## Contributions and impact of our volunteers

We consider the impact and contribution of all of our volunteers. This is important to demonstrate how our volunteers' activities are contributing to our mission, which we know is important to them, our stakeholders and us.

Thanks to our volunteers, we are able to work towards achieving our mission to support producers in the developing world to grow their businesses, create employment and develop their communities.

We also receive feedback and comments from our volunteers and those impacted by their activities:

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*“I have really enjoyed working on this, for the translating itself but also as a way of learning more about the direct impact of your work.” Volunteer*

*“I believe having this volunteer support is a great help for us.” Member of staff*

*“The talk was very informative and Richard demonstrated some complex information in an easy to understand format. He was very engaging and sensitive to time issues. Thank you. As a result of the talk we will be opening a Share Account.” Host of talk*

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## OUR VOLUNTEERS



OUR **AMBASSADORS AND  
COMMUNITY SUPPORTERS**

RAISED

**£346,000**

OF INVESTMENT

**(8% OF NEW INVESTMENT)**



OUR **DATA ENTRY  
VOLUNTEERS** ENTERED

**1,258**

MEMBER SURVEY RESPONSES



OUR **TRANSLATOR VOLUNTEERS**  
TRANSLATED

**26,376**

WORDS ACROSS OUR WEBSITE  
AND OTHER MATERIALS INTO  
FRENCH AND SPANISH

## Our communication

We use a range of communication channels to engage with volunteers, current and potential investors and other key stakeholders. Our aim is to first build awareness of our activities, and then establish credibility and trust.

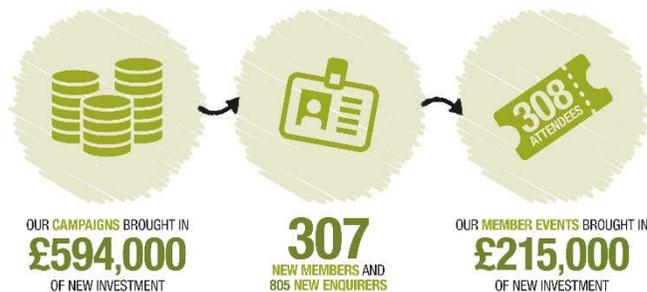
We build a human connection with supporters using photography and case studies. Two photography shoots were commissioned this year; both in Africa. The resulting images were used in online and printed publications. For photoshoots outside the UK, we use either in-country photographers, or photographers who are already visiting the country in question, in order to support local talent and reduce our carbon footprint. The final aim of our communications strategy is to build loyalty in Shared Interest and we are very proud of the retention level of members.

We have a suite of materials to introduce Shared Interest to a new audience, and also explain to members how their investment is making a difference. This year we refreshed the design of our Enquiry Pack and Investor Pack following the introduction of new GDPR legislation. We also created a digital version of the Investor Pack for new members opening Share Accounts online. This will allow us to significantly cut down on paper usage as well as save on print costs.

We created a Children's Annual Review for the first time in 2016. Until this point, we had no specific publication designed to reach a younger audience. This year we redesigned this publication, producing a new version aimed at an older age group of 10-11 year olds. The aim of the Children's Annual Review is to engage our younger supporters. Entitled 'The Epic Book of Fairness' this compact booklet provides children with an overview of fair trade, as well as introducing some of the farmers and handcraft makers supported by Shared Interest throughout the world. Following the themes of helping others and being equal, we have included activities that test the children's knowledge of how fair trade works.

We ran 14 insert campaigns this year; these were placed in a variety of publications including the Big Issue, the Guardian, Ethical Consumer, Amnesty International, Co-op News, New Internationalist and various other faith and general interest publications. We ran an outdoor advertising campaign on the Tyne and Wear Metro during Fairtrade Fortnight, an important annual event for Shared Interest. The aim of the campaign was to improve visibility and brand awareness. We are also increasingly using online advertising. This year we took over the Big Issue homepage for a month, advertised on the Guardian Money pages, Church Times, Open Democracy, Co-op News and New Internationalist.

## IN 2018...



Following the launch of our new website in July 2017, we have continued to produce engaging content. Work is continuing on translating the site into multiple languages, with the support of seven new translation volunteers. We saw 16,967 individual web visitors this year, a 15% reduction on the previous year. Of this number, 85% of these had not visited the website before. 31% of visitors used either tablets or mobile phones, a higher number than last year and a trend that we expect to continue. Further improvements have also been made to the online members' portal "Our Shared Interest". While we are aware that many of our members prefer paper communication, we are conscious of the environmental and financial cost of such activity and encourage greater

online use within our membership. As a result, 40% of our members are now signed up to use the portal (2017: 32%).

Online investments totalled 236, bringing in £229k (2017: £477k); still a very small proportion at 0.6% of overall investments made. In the case of this year's AGM, 18% of votes received were placed using the online system. All subscribers to the portal receive a quarterly e-newsletter and this achieves an average open rate of 57%.

We have continued to develop our social media activity, during the year Twitter carried out an exercise to close all fake accounts and as a result the @SharedInterest account lost around 200 followers, although the number of followers has decreased we now have a more actively engaged audience of just over 8,000 followers. During the year engagement figures (the sum of interactions received for the tweets published in the selected timeframe: retweets, replies and likes) increased by 501. Facebook likes have increased by 11% to 1,579. In addition to this, the Shared Interest Foundation Twitter account @SharedIntFdn has 925 followers, and their Facebook page has 408 likes.

## Activity 2 – Act co-operatively, valuing the views of our membership and wider supporters

### Member engagement

In 2016, we took the decision to streamline our AGM to a morning only session with no overseas staff or producers present, and the cost savings reallocated toward a series of member events to enable us to reach a greater proportion of our membership. This year, we followed the same format, holding five events once again, which brought in £215,000 of new investment (2017: £227,000). Our AGM was again held at the Northern Design Centre, Gateshead, with 84 members in attendance and 14% of our total membership returning a postal ballot or voting online.

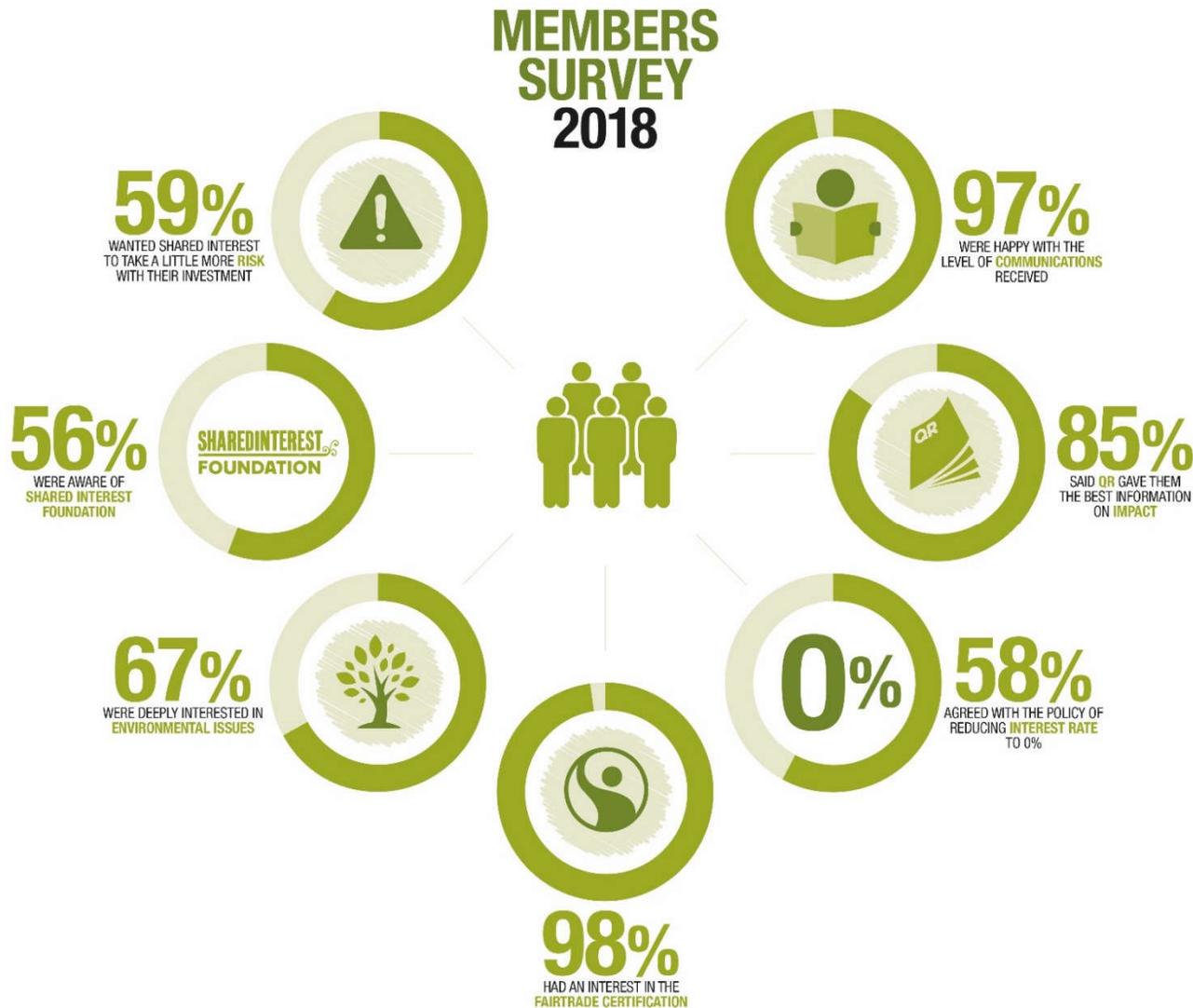
In contrast to the AGM, the member events were far less formal and started with guest speaker presentation, followed by an overview of the year's activity. Attendees were then given time to ask questions and give comments and participate in a networking lunch. Members of the Senior Management Team, Board, and Council attended each event. The events were held on different days of the week and included a live Skype discussion with either Rachel Ngondo, Regional Manager, Africa or Paul Sablich, Regional Manager, Latin America. These events were open to the public and, although mainly attended by existing members, enquirers were also invited. Promotion of the events took place through QR, our website, social media channels and online booking system-Eventbrite. Partners, such as the Fairtrade Town networks and guest speakers, were also encouraged to raise awareness of these events to attract potential audiences.

Numbers were, however, similar to last year. Feedback from attendees shows that the majority (65%) had not previously been to a Shared Interest event. The events were held in London, Edinburgh, Bristol and Manchester. Interestingly, attendees fell into two distinct groups; 30% had held Share Accounts for less than five years and 46% were longstanding members of 20+ years. There was also a smaller, informal member event held in Belfast.

## Members Survey

It is important that we give our members the chance to express their thoughts and views as a Shared Interest investor. The information we gather from our surveys helps shape our discussions and guide the ultimate direction of the organisation.

In January 2018, Shared Interest carried out its sixth members' survey, which was sent out with the January mailing and received a 29% response rate. A summary of results are in Appendix 18.



## Volunteer engagement

In response to feedback in last year's volunteer survey (see Appendix 15), we established two short-term working groups to involve volunteers in identifying potential solutions. We have introduced a tool for ambassadors and community supporters to share their experiences. We are also working to develop a resource to support these volunteers finding opportunities with particular audiences.

We held three volunteer meet ups this year in Leeds, London and Bristol. Twenty volunteers attended these events and discussions covered GDPR, our Strategic Review, local events, generating opportunities and communications and networking.

In addition, we gathered a small number of short case studies for Volunteer's Week through which we asked volunteers to tell us what motivates them to volunteer with us and what they enjoy about being involved. Comments included:

### What does Shared Interest mean to you?

*"Means support to the poorest in developing countries and opportunities of developing new skills for people that lack resources."*

### What do you most enjoy about volunteering?

*"The hope that what one does is making a difference."*

### Activity 3. Collaborate and innovate with partners

Last year we looked at our partnerships in relation to the SDGs and identified six SDGs, which we and our partners had in common in relation to their relevance to our work. These SDGs were;



We have built on this research to incorporate that of Fairtrade International, which identified the following SDGs as the most relevant to the work of the fair trade movement;



This year, we asked our partners which of these SDGs they felt Shared Interest was making the highest contribution to. We received ten responses (from a possible 36), a 28% response rate.

The results below show how high a contribution our partners felt Shared Interest made to each SDG.

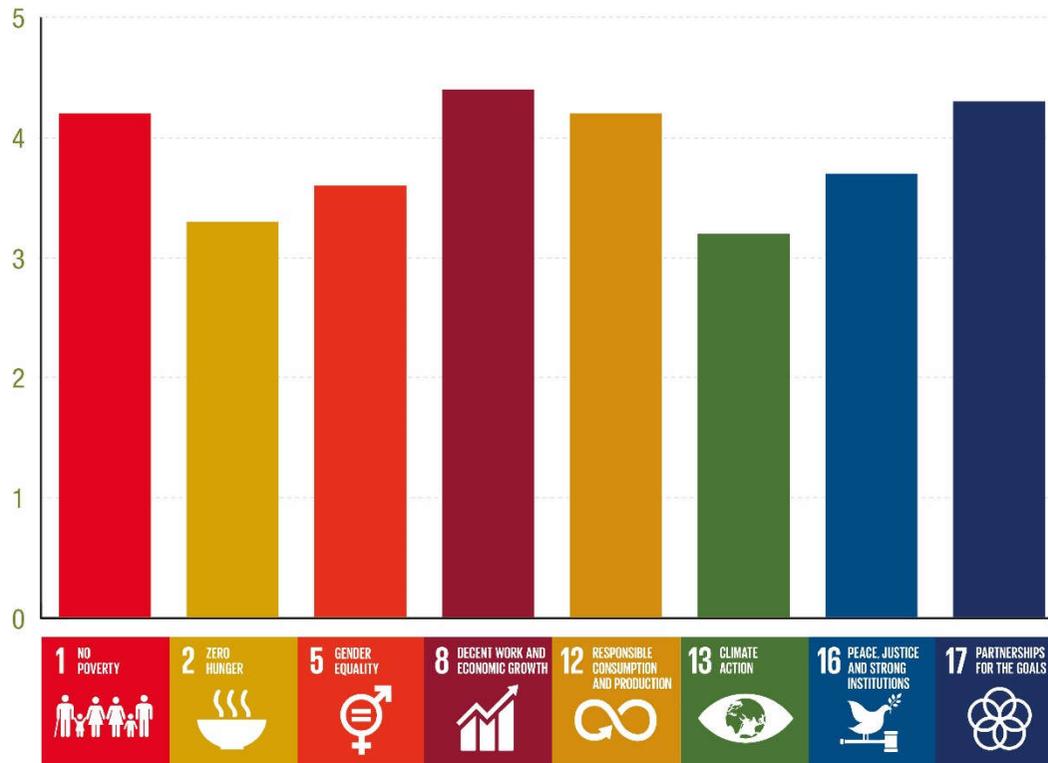
We found that Decent Work and Economic Growth had the strongest correlation with our work and that of some key partners.

The graph below shows that our partners felt the SDGs of 8. Decent Work and Economic Growth, 17. Partnerships for the Goals, 1. No Poverty and 12. Responsible Consumption and Production were those to which Shared Interest makes the greatest contribution.

This information provides us with a baseline from which we can show progress in the contribution we make to the SDG's over the coming years. A summary of the survey is available in Appendix 14 and a list of our partners in Appendix 13.

## PARTNER SURVEY 2018

“On a scale of 1 (low contribution) to 5 (high contribution) rate to what extent you think Shared Interest is contributing to the achievement of the following SDGs?”



# Aim 3

*MANAGE OUR RESOURCES IN LINE WITH OUR PRINCIPLES OF LOVE, JUSTICE AND STEWARDSHIP*

## Activity 1. Ensure good financial stewardship of our investments and donations

Stewardship is defined by Shared Interest as doing the best we can with the resources entrusted to us. We consider stewardship in all aspects of our financial work.

Shared Interest Society and Shared Interest Foundation have prepared their accounts this year under UK Generally Accepted Accounting Principles (UK GAAP), reporting under FRS102. More details on the operational finances of Shared Interest Society and Shared Interest Foundation can be found in our 2018 Financial Accounts (Appendix 1 & 2).

**Financial controls:** Significant emphasis is placed on robust financial controls. Our procedures for budgeting, financial reporting and secure payment authorisation can be found in Appendix 19. Our internal controls are regularly reviewed, updated and audited. This year's audits again raised no concerns.

**Procurement:** We also follow an approach to procurement, as detailed in Appendix 20. This ensures that, as far as possible and practical, we source products and services that are fair trade, environmentally friendly, and/or locally produced. Appendix 21 includes our Green Policy and checklist for purchasing.

**Lending:** Our lending decisions are made within credit policies, which help in managing our exposure to risk. Prudential lending limits specify the proportion of our Share Capital, which can be lent by commodity, country risk category, region and product. Revisions are made on the basis of evidence gained from lending and careful consideration of relevant risks. These limits are approved by the Board of Directors. The annual statutory financial accounts, as well as the presentation given at the AGM, provide further details of the management of risk by Shared Interest and in particular, the management of credit risk (defaults) arising from customers who have borrowed from the Society and are unable to repay Shared Interest when due.

**Liquidity and investment:** The majority of our £41.4 million in Share Capital is deposited in GBP with our main banker, Santander UK plc. The funds lent to our customers in foreign currency (we offer facilities in GBP, USD and EUR and we also have a small loan in Kenyan Shillings) are from foreign currency overdrafts secured against the deposited Share Capital. Although we do not convert members' investments in our Share Capital into foreign currencies, we do use these funds as security to borrow the USD and EUR that we lend. The weakened pound since the UK Referendum vote to leave the European Union, reduces the borrowing power of our GBP Sterling Capital but does mean that we translate the foreign currency that we earn, at a more favourable rate.

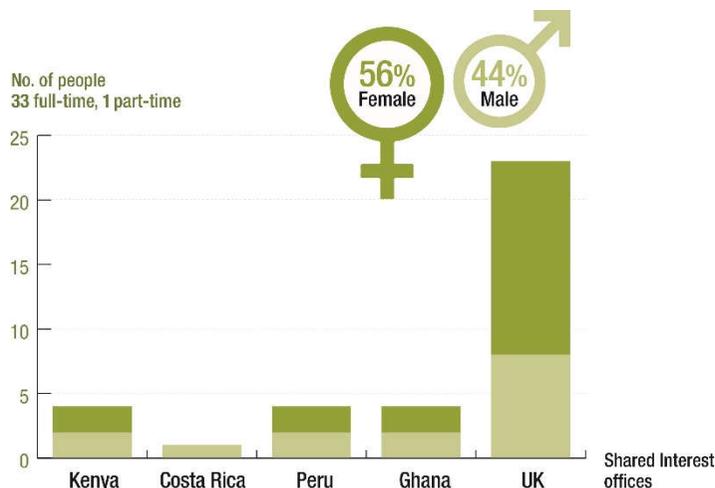
In 2016, the Society and Foundation moved the main banking relationship to Santander UK plc (more detail is provided in the Society's statutory financial accounts). Under this arrangement the Society earns a very low rate of credit interest overall from its deposits with the Bank but also pays a lower interest margin to borrow the currency that it needs for its lending, than it did under the former banking relationship with the Co-operative Bank. The figures shown in the table below include Share Capital, reserves, and a residual loan from Comic Relief.

**Fundraising ratios:** In addition to the Share Capital of Shared Interest Society members, we manage donations made to Shared Interest Foundation. In order to do this efficiently and effectively, we monitor two key ratios. Management costs as a percentage of charitable expenditure were this year 35% (2017: 34%) and fundraising costs as a percentage of income were 6% (2017: 5%). We also monitor the running costs and reserves of Shared Interest Foundation, operating a policy of aiming to keep three to six months of total projected annual expenditure in reserves, with a year-end figure of 7.8 months (2017: 6.6 months).

|                   | Cash Investments |        |        |        |        |
|-------------------|------------------|--------|--------|--------|--------|
|                   | 2014             | 2015   | 2016   | 2017   | 2018   |
| Co-operative Bank | £28.9m           | £31.3m | £40.7m | £0.4m  | £0.02m |
| Santander Bank    | -                | -      | -      | £40.2m | £42.2m |
| Others            | £6.5m            | £5.1m  | £0.05m | £0.05m | £0.05m |
| Others (No.)      | 4                | 6      | 2      | 3      | 3      |

## Activity 2. Encourage talent and commitment in an environment of mutual respect

At 30 September 2018, Shared Interest had a team of 34. During the year, there were two new additions to the organisation, whilst one person left.



**Length of service:** Retaining positive and engaged people is significant in Shared Interest's continued growth and success. The diagram adjacent shows that 35% of the team have been with the organisation four years or less, 35% between five and nine years and 30% of the team for over 10 years.

Overall, the number of sickness absence days has decreased this year and stands at 1%, which is below the national average. Only two of the absence periods were of more than a week.



**Training:** There has been an increase in training costs this year. This is due to an increase in the number of professional training courses, which are more expensive. We also carried out training with all colleagues in safeguarding, preparation for GDPR and held teambuilding events for individual teams, including overseas. In addition, we have delivered a programme of health and wellbeing sessions throughout the year. New colleagues received induction training, which included sessions around Insights in line with training previously undertaken by the existing team. Our training costs include both course costs and the salary costs of those attending.

| Description   | 2016        | 2017        | 2018        |
|---|-------------|-------------|-------------|
| Training cost (course/trainer fees)                       | £23k        | £14k        | £19k        |
| Internal time cost (while on courses)                     | £30k        | £14k        | £18k        |
| Inductions (cost for carrying out & attending inductions) | £1k         | £2k         | £2k         |
| Number of hours spent training                            | 1,728       | 893         | 1017        |
| <b>Total</b>  | <b>£54k</b> | <b>£30k</b> | <b>£39k</b> |
| <b>No of training days</b>                                | <b>244</b>  | <b>121</b>  | <b>142</b>  |

**Communication:** We continue to hold monthly update sessions, including overseas teams, using our technical facilities. Individual teams still meet formally and one-to-one meetings are held weekly between each team member and their Line Manager.

Communication is vital in any organisation large or small. At Shared Interest, we believe in listening to our colleagues and their views. This year, the Member Engagement Team carried out a second internal communications survey. The intention of the survey focused on communication within teams in the organisation, and aimed to build on the 2017 survey results and improvements.

We received an overall response rate of 65%. The results show that people felt communication within their own team is good, but that communication could be improved between other teams in the organisation. Other main themes centred on the frequency of meetings and relevance. As a result update and committee meetings are now optional for staff, and the frequency of meetings is being assessed. A more detailed summary of the results can be found in Appendix 22.

**Culture:** Last year, we developed a 'Culture Card', a pocket-sized foldout booklet, which sought to remind staff of the ethos we aim to achieve. This year, we have sent timely emails to staff, celebrating national and international public and cultural holidays and the history behind these.

“HELLO” “OLÁ”

**LANGUAGES**

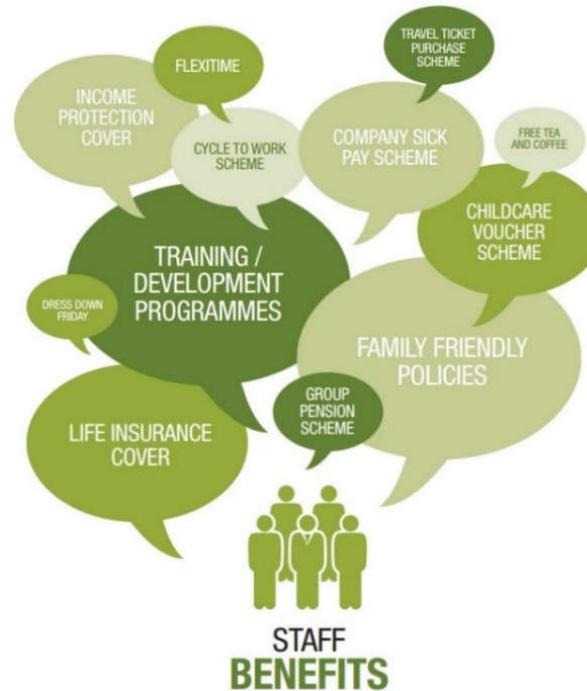
**9**  
NUMBER OF LANGUAGES SPOKEN

**18**  
NUMBER OF TEAM MEMBERS WHO SPEAK MORE THAN ONE LANGUAGE

**LANGUAGES**  
FRENCH, SPANISH, SWAHILI, PORTUGUESE, TRIBAL MOTHER TONGUE, CATALAN, ENGLISH, TURKISH, EWE

**Benefits and salary:** Shared Interest aims to provide staff with job satisfaction by offering interesting and varied work combined with generous and flexible benefits. These benefits are illustrated in the diagram adjacent.

Salaries are reviewed annually with the cost of living, individual performance and a benchmarking exercise considered as part of the process. A comparison of the highest salary against the lowest salary in the organisation provides a ratio of 3.7 to 1.0.



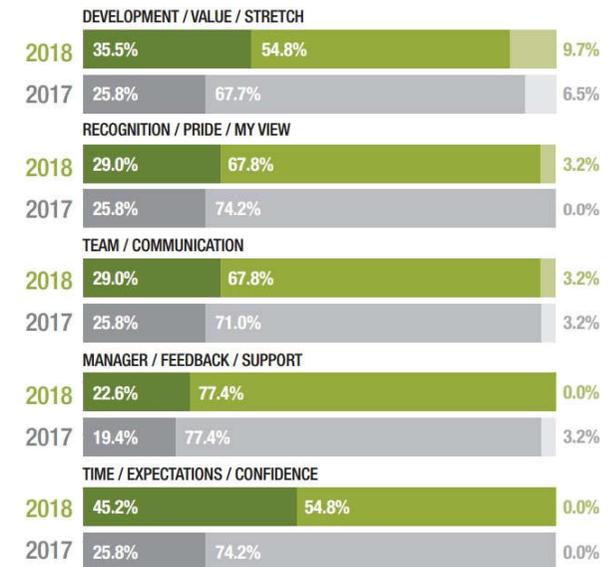
**Staff survey:** We carry out a staff engagement survey annually, using the same People Gauge online survey. This enables us to compare results. This year showed that 32% of staff are actively engaged (24% last year), 65% engaged (73% last year) and the remaining 3% actively disengaged (3% last year).

Overall, there has been a move from engaged to actively engaged, with 97% of staff remaining actively engaged or engaged. The results can be seen on the following page, broken down into five key areas.

Two specific questions enabled us to ascertain that:

- 84% of respondents felt that Shared Interest fulfils its mission and values (2017: 71%)
- 94% felt they have increased their understanding of other cultures during the last 12 months (2017: 94%)

## ENGAGEMENT



Following on from this year's Strategic Review, staff were asked which elements they would like to include in their objectives. The Senior Management Team will discuss these suggestions.

Staff were also asked to provide three words to describe what it is like to work at Shared Interest and the results form the word cloud opposite. The size of the words corresponds to how frequently each word was used. Some words, such as 'challenging', can be seen as both positive and negative. When analysing word clouds, if the key word is surrounded by positive words, as it is in the diagram adjacent, then this shows that the key word has a positive rather than a negative connotation.

**Volunteering:** To help us learn more about staff interests outside of work, we again asked about any voluntary work they carry out. The survey was sent to the entire staff team and we received a 47% response rate, up from 27% last year. Of those who responded, 50% volunteer their time; many of whom have a number of different roles.



**WHAT MOTIVATES OUR TEAM TO VOLUNTEER?**

**Activity 3. Practice good environmental stewardship**

Human rights and the environment are inextricably linked through the right of every citizen to a clean, healthy and productive living space.

In the 2030 Agenda, meeting those basic needs is linked to access to natural resources. SDG 6 addresses 'water' in terms of the environment (water quality, restoration of ecosystems), social (access to safe drinking water) and economic aspects (water-use efficiency across all sectors).

We are conscious of these principles and do the best we possibly can with the resources entrusted to us. We consider stewardship in all aspects of our work and embed a culture of good environmental practice throughout Shared Interest.

**Recycling:** Our Environmental Team continues to raise awareness of our environmental footprint and staff recycle paper, plastics, and glass. For the first time, we are able to track and report on paper used by our mailing distributors,

meaning that the paper count is higher than last year. This year, we used 149,813 sheets of paper across all offices. We have also continued to encourage our members to use the online portal rather than requesting paper statements.

**Procurement:** We continue to procure goods and services from local suppliers to minimise our environmental impact and support the sustainability of businesses in our region. During the year, purchases from suppliers in North East England totalled £239,733. This represents 46% of our purchases (2017: £218,896; 44%). You can read more about our procurement policy in Appendix 20.

# RECYCLING AND CARBON OFFSETTING



**Carbon offsetting:** The main contributors to our carbon emissions are in our UK office operations and business travel. Our UK electricity usage this year was 36,768kWh, which is an increase of 22% from 2017. The increase can be attributed to our ability to now record the air-conditioning unit's energy usage, which was not monitored previously. The organisation as a whole used 47,078kWh, producing just 7.1 tonnes of CO<sub>2</sub> (2017: 16.5). This reduction is partly due to using a green energy supplier in the UK.

Travel for the organisation is split into three categories; road, train, and plane. In total, this produced 38 tonnes of CO<sub>2</sub> (road: 5.6; train: 4.7; plane: 27.9). This is a 171% increase from last year, when very little travel was undertaken.

The Environmental Team is also responsible for awarding our Carbon Offset fund, usually to environmental projects linked to our work. We use the Climate Care website and carbon calculator [www.co2balance.com](http://www.co2balance.com) to determine an appropriate offset.

This year, the offset figure is £340 compared to £226 last year. We have rolled over the amounts from previous years to fund a bigger project. This means that our grand total is £2,883, and we are currently investigating how best to use this. We are discussing the possibility to join forces with other likeminded businesses to combine funds to tackle bigger projects for greater impact.

# Summary

Below we detail the outcomes of the Social Accounts' aims, which are designed to show how well we are meeting our mission and values.

## **AIM 1: PROVIDE FINANCIAL SERVICES AND BUSINESS SUPPORT WHICH MAKE LIVELIHOODS AND LIVING STANDARDS BETTER FOR PEOPLE AS THEY TRADE THEIR WAY OUT OF POVERTY**

We lend in two ways: directly to fair trade producer groups (producer lending), and to fair trade wholesale or retail businesses (buyer lending).

Payments for coffee and cocoa represent 62% of the total made this year. Payments for handcrafts represent 8%, a decrease from last year's 11%. We continue to strengthen our direct relationship with producers and the value of funds lent directly to them increased from 63% to 66%.

When managing our lending, we split the portfolio into three regions; Africa, Latin America and Northern Hemisphere and Pacific Rim (NHPR). We have a total of 207 customers, equalling 175 producer groups and 32 buyers.

### **Latin America**

Of the total 175 producer groups with whom we work, 47% are based in Latin America and this represents 66,983 individuals (50% are women) out of the total of 470,421 people impacted by Shared Interest.

Payments made to producers in this region totalled £31.4 million, representing 50% of the total payments sent by Shared Interest. Eighty-one percent of total payments in this region support cocoa and coffee, however we do provide finance to other products such as Brazil nuts, bananas and sphagnum moss. Peru continues to be the country with the largest total value of payments (£23.8 million) and number of payments (424) made.

### **Africa**

Over half (90) of Shared Interest's producer customers are based in Africa (51% of portfolio). We made £9.6 million worth of payments to these producers, representing 23% of the total payments sent to our entire producer portfolio. Of these payments, £7.3 million went to 22 organisations in Côte d'Ivoire.

There were 30 new lending proposals, representing £4.5 million in terms of facility values. In East Africa, Rwanda now has the same number of producer customers as Kenya, where historically we worked with the most organisations. This is because coffee production has increased significantly due to government schemes such as free seedling distribution. We have also seen proposals approved for summer flowers and grains such as maize. As for West Africa, we continue to lend to producers of cocoa, cashew, fresh fruits, dried fruits, shea butter, and handcrafts.

### **Northern Hemisphere and Pacific Rim (NHPR)**

Shared Interest is one of the few social lenders to provide credit facilities to buyer organisations in the Northern Hemisphere. Without these buyer organisations, many producer groups would have limited market access. This year we made 1,589 recipient producer payments to 253 organisations in 55 countries.

The majority of recipient payments are sent to Asia, primarily to Nepal, Bangladesh, India and Pakistan, where there is a large concentration of fair trade producer organisations. We are unable to lend directly to producer organisations due to their financial regulations but by providing a facility to buyers, we can indirectly assist.

As the portfolio in this region is diverse, there is no predominant crop or product. Most customers are importers who sell a variety of products ranging from: processed foods such as cookies, cereal bars, to jewellery, clothes and home décor. Payments to producers in Asia - representing a large proportion of handcrafts - reduced from £9.9 million in 2017 to £7.8 million in 2018.

We did introduce a brand new commodity, Guaraná, into the portfolio through a French organisation.

### **Shared Interest Foundation**

Over the past 12 months, our charitable arm, Shared Interest Foundation, continued to provide technical assistance to support small-scale producer groups in Africa. This year, we began the East Africa Governance and Finance Training Project, a two-year project involving 20 producer organisations from the coffee, tea, cocoa and handcraft sectors in Uganda and Kenya. Twelve of these organisations are existing customers of Shared Interest Society. So far, the project has seen us deliver governance training to 100 individuals.

Our four-year project with Swaziland International Fair Trade (SWIFT) is ending. To date, the project has supported 7,607 rural producers and artisans. This year, we supported 2,240 handcraft producers including 1,930 women.

In November 2017, we came to the end of a two-year project in partnership with the Rwanda Forum for Alternative Trade (RWAFAT) to support the handcraft sector. Within these final months, 20 producers from 10 co-operatives attended a two-day training course, which provided them with skills to develop a business plan and build their business management capacity.

In 2016, we started a three-year project in partnership with Malawi Fairtrade Network (MFTN). Over the past year, we delivered training and mentoring to five co-operatives, with the aim of supporting them to increase their farm yield and improve their sales and income.

In September, we launched two new projects which will be implemented within the next financial year. In Swaziland we extended our partnership with SWIFT to deliver Crafting Fairer Futures, a one year project funded by the Evan Cornish Foundation. This project will provide business support and product diversification training to 100 women who sell their products at the Manzini Bus Station in central Swaziland, enabling them to increase

their income from sales and better meet the needs of their family.

In Burkina Faso we launched Bees for Business funded through a restricted donation from Mr T.M. Dickety. Through this one year project we are supporting 50 women in rural Burkina Faso to train to become beekeepers and develop a sustainable source of income to support their family through the sale of honey.

**AIM 2: DEVELOP OUR COMMUNITY OF INVESTORS, THE SUPPORT OF DONORS AND VOLUNTEERS, AND PARTNERSHIPS WITH THOSE WHO SHARE OUR COMMITMENT TO FAIR AND JUST TRADE**

Our diverse membership includes faith groups, fair trade partnerships, small businesses, schools and community organisations as well as many individuals. The average age of a member remains at 63, with an overall range from sixteen to 101 years of age.

Our members are loyal, with the average Share Account duration at 14 years. The average investment from a new member is £1,231. There were 236 online investments in the year, bringing in £229,000 (2017: £477,000); a small proportion at 0.6% of overall investments. With regards to AGM voting, 18% of votes were made online.

Shared Interest Foundation's overall income increased. Although restricted income decreased, there was an increase in unrestricted income following a legacy campaign and greater digital promotional activity. Donor numbers increased from 513 to 641.

Shared Interest involved 90 volunteers, of which 25 were new. We collaborated with Newcastle University to welcome new roles with 10 member survey data entry volunteers, and used a volunteering website named Do-It to source translation roles. We held volunteer meet ups in Leeds, London and Bristol with 20 volunteers in

attendance. For Volunteer's Week, we created case studies on our volunteers' motivations.

Our reasons for developing member engagement materials remains twofold: to introduce Shared Interest to a new audience, and explain investment impact to current members. This year, we updated our Enquiry Pack and Investor Pack with new GDPR legislation. We also created a digital version of the Investor Pack for online Share Accounts. Our second children's Annual Review was aimed at a slightly older age group of 10-11 year olds.

We ran 14 insert campaigns in publications including the Big Issue, the Guardian, Ethical Consumer, Amnesty International, Co-op News, and New Internationalist. We ran an outdoor advertising campaign on the Tyne and Wear Metro during Fairtrade Fortnight. Online advertising saw us take over the Big Issue homepage for a month, advertise on Guardian Money, Church Times, Open Democracy, Co-op News, and New Internationalist.

In 2016, we streamlined our AGM and reallocated the cost savings to regional member events. This year, we followed the same format, holding five events in London, Edinburgh, Bristol and Manchester, which brought in £215,000 of new investment (2017: £227,000). The majority (65%) had not previously been to a Shared Interest event and 45% were longstanding members of 20+ years.

**AIM 3: MANAGE OUR RESOURCES IN LINE WITH OUR PRINCIPLES OF LOVE, JUSTICE AND STEWARDSHIP**

At year-end, the Shared Interest team consisted of 34 people, including two new recruits, and one person leaving. We continue to see the importance of retaining engaged staff, and this year showed that 30% of the organisation has been with us for over 10 years. Furthermore, our Engagement Survey showed that 32% of our people are actively engaged (24% last year), and 65% engaged (73% last year).

The Member Engagement Team also carried out an internal communications survey, with a response rate of 65%. The results show staff feel communication within their own team is good but could be improved between teams.

We remain committed to training and development. This year, costs have increased due to a higher number of professional courses, which are more expensive. We also carried out training in preparation for GDPR, held teambuilding events for individual teams, including overseas and held health and wellbeing sessions. The number of sickness absence days has decreased this year and stands at 1%, which is below the national average.

In line with our culture of holistic good environmental practice, we have continued to recycle and minimise waste. The Environmental Team manages our Carbon Offset Fund. This year's figure is £340, bringing the total to £2,883 with rolling over amounts over from previous years. We continue to investigate how best to use this.

The weakened pound since the UK Referendum continues to reduce the borrowing power of our GBP Sterling Capital but does mean that we translate the foreign currency that we earn, at a more favourable rate. The majority of our £41.4m in Share Capital is deposited in GBP with our main banker, Santander UK plc.

The funds lent to our customers in foreign currency (we offer facilities in GBP, USD and EUR and we also have a small loan in Kenyan Shillings) are from foreign currency overdrafts secured against the deposited Share Capital. Although we do not convert members' investments in our Share Capital into foreign currencies, we do use these funds as security to borrow the USD and EUR that we lend.

# About Shared Interest

## HISTORY

Our journey started in 1986 when development agency Traidcraft Exchange sponsored research into the role of banking and investment within the fair trade movement. It was discovered that the main challenge faced by those producing fair trade goods was access to working capital and buyers struggled to make pre-payments for goods. It was out of this that Shared Interest was created; a unique financial organisation aiming to do business for mutual service rather than for investor profit. The Society was publicly launched in October 1990 with the financial backing of the Joseph Rowntree Charitable Trust and Oikocredit, formerly, the Ecumenical Development Co-operative Society (EDCS). Within a year, we had attracted £750,000 of Share Capital and 600 members.

Today, we have 9,888 members in the UK, each investing between £100 and £100,000. With an average investment of £4,187, this provides Share Capital of £41.4 million. In 2004, Shared Interest established a subsidiary, Shared Interest Foundation. The charity delivers practical business support in the developing world, helping fair trade businesses to improve their financial management and other business skills. The story of our past 28 years is detailed at [shared-interest.com](http://shared-interest.com).

## OWNERSHIP AND GOVERNANCE

Shared Interest is an independent organisation with its headquarters in the UK and further team members based in Costa Rica, Ghana, Kenya and Peru. Shared Interest consists of Shared Interest Society and a charitable subsidiary, Shared Interest Foundation. Shared Interest Society is owned and controlled by its membership of 9,888 investors. It is the sole member of Shared Interest Foundation. Shared Interest Society is governed by a Board of Directors which is currently made up of eight members; two executives and six non-executives.

Seven of these eight Directors also form the Trustee Board which governs Shared Interest Foundation. A Council of nine Society members monitors the work of the Society's Board of Directors. The Council has the power to question the Directors and Management Team and, if it sees fit, to address the membership independently.

To ensure the Council is a representative body, six members have been randomly selected for nomination, while the other three members applied for their roles; all were subject to a ballot of members.

## LEGAL STRUCTURE AND REPORTING

Shared Interest Society is incorporated with limited liability under the Co-operative and Community Benefit Societies Act 2014, Number 27093R. The Society has submitted timely annual returns to the Financial Conduct Authority as its registrar.

Shared Interest Foundation is registered as a company limited by guarantee in England, Number 4833073, and is a registered charity, Number 1102375. It has submitted timely annual returns to the Charity Commission and to the Registrar of Companies. Shared Interest has an annual compliance action plan (Appendix 23), ensuring a regular routine of internal reviews and external audits against the relevant statutory and voluntary codes. This covers areas such as money laundering and bribery checks; health and safety compliance; risk reviews and data protection.

These topics are also included in induction schedules for all new staff. In addition, a key aspects checklist (Appendix 26) is produced by the Social Audit Network to enable standardised reporting on areas such as HR, governance, finance, and environmental / economic aspects.

# Stakeholders

In pursuit of our mission, the following stakeholders are key to Shared Interest (the list is reviewed and updated annually by the social reporting team)

| Stakeholders       | Definition  | Description   | No 2017                    | No 2018                    |
|--------------------|---|---|----------------------------|----------------------------|
| Beneficiaries      | Organisations who benefit from the support of Shared Interest Foundation  | Beneficiaries trained<br>Producer groups receiving grants                                     | 2,348<br>3                 | 2,565<br>3                 |
| Board of Directors | Collectively responsible for the direction and management of the Society, 7 of these 8 are also Trustees of Shared Interest Foundation  | Elected Shared Interest Society Members   | 8                          | 8                          |
| Council            | Body which serves to keep the Board "on mission" and be representative of the views of members  | Elected Shared Interest Society members   | 9                          | 9                          |
| Customers          | Borrower organisations which enter into a business contract with Shared Interest Society<br><br>Other organisations that receive or make payments via Shared Interest Society | Producer group customers<br>Buyer customers<br><br>Recipient producers<br>Non customer buyers | 160<br>33<br><br>267<br>86 | 175<br>32<br><br>253<br>74 |
| Donors             | Shared Interest Foundation donors   | Individual donors<br>Corporate donors<br>Churches and other groups<br>Grant-making bodies     | 484<br>8<br>9<br>12        | 641<br>9<br>7              |
| Our people         | The Shared Interest team  | Our people  | 33                         | 34                         |
| Members            | Shared Interest Society investors   | Members   | 9,689                      | 9,892                      |
| Partners           | Those we collaborate with for mutual benefit  | People, groups and organisations we work with and umbrella groups of which we are members     | 44                         | 36                         |
| Volunteers         | Individuals who volunteer their time and expertise to Shared Interest   | Volunteers  | 70                         | 69                         |

# Consultations

We are keen to understand our stakeholders' view of our performance against the Mission and Values which we espouse. We therefore consulted with them in a number of ways this year.

## POTENTIAL CUSTOMERS

No formal research or consultations were carried out with this group this year, beyond our normal business development activities to find, and interact with, potential new customers.

## CUSTOMERS

In addition to our daily contact with customers and annual reviews undertaken by the Lending Team, we carried out two specific consultation exercises, which gathered views from all of our customers. This involved:

An electronic survey was sent to 169 producer customers and 76 responses were received.

Producer committee meetings take place annually and allow the Lending Team to gain a greater understanding of the producers' challenges and experiences. This year 24 producers participated: Peru (8), Costa Rica (4), Ghana (5) and Kenya (7).

## BENEFICIARIES

Information from organisations benefiting from the work of Shared Interest Foundation were consulted on a project basis:

1. Improving producer livelihood in Swaziland - The project carried out the annual review by gathering data from the representatives of the 70 active member businesses of the Swaziland International Fair Trade Network (SWIFT).
2. The Rwanda Sustainable Futures project - The project undertook an end line evaluation by surveying a total of 100 producers from the 10 co-operatives that have benefited from the business management capacity building and mentoring programme. There was no further consultation this year following the end line evaluation reported in the last year Social Accounts. The project is now completed.
3. The Malawi Sustainable Solutions to Poverty - The Malawi Sustainable Solutions to Poverty project carried out a mid-term review on the five co-operatives who received mentoring on good agricultural practices and business training.
4. East Africa Governance and Finance Training Project – The project carried out a baseline survey with the 20 beneficiary co-operatives and gathered data on their governance and financial system.

## MEMBERS

A full members' survey was conducted in 2018. Our AGM took place in Newcastle in March 2018 and this was supported by a series of four member events around the UK. A total of 305 members attended the events. Correspondence with members is also shared with the Board on a regular basis.

## VOLUNTEERS

All new volunteers receive induction training and all volunteers receive an e-newsletter every two months. Some of our volunteers are invited to participate in video conference call discussions every two months. We also held meet up events with volunteers to encourage networking and sharing of ideas among volunteers.

## BOARD OF DIRECTORS / TRUSTEES

The Shared Interest Board meets five times a year and considers aspects of Social Accounts at three of those meetings. The Board responds to members at the AGM and at least two Directors attended each member event to answer member questions.

## COUNCIL

Council is not consulted separately from members as part of the Social Accounts process. However, the final report is tabled for discussion during their annual January meeting. It meets three times during the year and provides input to Board meetings and the AGM. There is a joint Board and Council meeting annually. A representative of Council attended each member event.

## DONORS

We have on-going communication on a project by project basis with our grant funders.

## OUR PEOPLE

We carry out an annual engagement survey. As with the previous year, we worked with People Gauge, an online survey and analysis provider. The survey was completed by 31 of the 34 staff who were employed at the time of the survey in July 2018 (91%). Presentations of the results were fed back to staff with discussions taking place on the results and how they compared with the previous year. This year we also undertook an internal communications survey to identify flows of information and potential improvements; and a survey to understand which our people currently volunteered.

## PARTNERS

We sent a partner survey this year to establish our alignment against the Sustainable Development Goals, in terms of to which we make the greatest contribution. It went to 36 partners and received a 28% response rate.

|                            | 2016   | 2017  | 2018  |
|----------------------------|--|---|---|
| <b>Potential customers</b> | No formal research or consultations took place with this group, beyond our normal business development activities  | No formal research or consultations took place with this group, beyond our normal business development activities   | No formal research or consultations took place with this group, beyond our normal business development activities to find and interact with potential new customers.  |
| <b>Customers</b>           | Online Survey to producer customers. (62/163)<br><br>Online Survey sent to recipient producers (73/283) Producer committees (25)   | Online Survey to producer customers. (58/160)<br><br>Online Survey sent to buyer customers (14/33) Producer committees (25)   | Social Impact Survey for M&E purposes (76/169)<br><br>Producer committees were held differently according to region (24 in total)   |
| <b>Beneficiaries</b>       | The Latin American and Caribbean Network of Small Fair Trade Producers (CLAC) project involved needs assessment surveys from 30 organisations to select the final 25 businesses. These participating businesses went on to complete baseline and end of training evaluations.<br><br>In Rwanda, we interviewed 135 individuals representing 10 co-operatives as part of the end of Year One evaluation. The Malawi project consulted with a representative of each of the eight participating businesses to discuss the impact of the project. External evaluation of the<br><br>Swaziland project involved surveying representatives from | In Swaziland we carried out a mid-term review by gathering data from the representatives of the 77 member businesses of the Swaziland International Fair Trade Network (SWIFT)<br><br>In Rwanda we undertook an end line evaluation by surveying a total of 100 producers from the 10 cooperatives that have benefited from the business management capacity building and mentoring programme.<br><br>In Malawi we carried out a baseline survey on the five cooperatives receiving skills training in good agricultural practices and business management. | We gathered data from the representatives of the 70 active member businesses of the Swaziland International Fair Trade as part of the Improving producer livelihood in Swaziland project.<br><br>East Africa Governance and Finance Training Project surveyed 100 individuals from 20 cooperatives to collect baseline data for impact monitoring.<br><br>The Malawi project carried out a mid-term evaluation by administering a survey to 50 producers from the five beneficiary cooperatives |
| <b>Members</b>             | Feedback forms at AGM and members' meetings  | Feedback forms at AGM and members' meetings   | Feedback forms at AGM and member meetings<br><br>Member Survey sent to all members who are happy to receive mail (2,669/6,889)  |
| <b>Volunteers</b>          | Volunteer Motivation Survey - March 2016 (26/70) Volunteer Survey -May 2016 (34/70)  | Volunteers – Individual call – Oct 2016 (37/48), Volunteer Survey – July 2017 (33/67 (3 volunteers were inactive and did not receive the survey)  | No formal consultations took place with this group  |
| <b>Board</b>               | Consulted as members   | Consulted as members, SDG Alignment Survey (6/8)  | Consulted as members  |
| <b>Council</b>             | Consulted as members   | Consulted as members, SDG Alignment Survey (5/9)  | Consulted as members  |
| <b>Our People</b>          | Engagement Survey (36/38)  | Engagement Survey (31/34), Internal Communications Survey (28/35), SDG Alignment survey (26/34) and Volunteering Survey(10/34)  | Engagement Survey (31/34), Internal Communications Survey (22/34), and Volunteering Survey(16/34)   |
| <b>Donors</b>              | No formal consultations took place with this group   | No formal consultations took place with this group  | No formal consultations took place with this group  |
| <b>Partners</b>            | Partner Survey (6/9)   | Partner Survey(21/44)   | Partner Survey(10/36)   |

# How we have progressed over the year?

Reporting on the key targets as agreed by the Senior Management Team and Board

| What we said we would achieve   | Progress to date  |
|---|---|
| <b>Aim 1: Provide financial services and business support which make livelihoods and living standards better for people as they trade their way out of poverty</b>  |   |
| <ul style="list-style-type: none"> <li>A full strategic review for Shared Interest and actions put in place to implement the recommendations.</li> <li>An increase in lending and a more diverse portfolio through exploration of new products and markets.</li> <li>Implement a new lending system to improve monitoring and reporting systems, facilitate the effective flow of information with customers and</li> </ul> | <p>During the board meeting in March the recommendations presented by the Lending Team were approved (a summary has been provided below). Each region has now to work on a plan for the next five years.</p> <p>Latin America:</p> <ul style="list-style-type: none"> <li>There is evidence that there is high potential in the segment of FLOCERT Traders and Beyond FT (likeminded organisations that are not certified with FLOCERT, WFTO or SPP) in this region.</li> <li>The Beyond FT segment in Latin America is mainly comprised of for-profit private companies that apply a social responsibility approach with their farmer suppliers and are actively engaged in their development. They are lower risk but operate a different business model to our current customer base.</li> <li>In terms of new lending territories the focus in the next five years for South America is: Peru, Brazil and Colombia, and for Central America, Mexico, Nicaragua, Honduras and Guatemala.</li> <li>We participated in an organic trade fair in Brazil in July 2018. Although there was a need for finance, the USD base rate increases have affected the interest rate Shared Interest can offer, which makes us less competitive than Brazilian organisations, therefore our opportunities here have reduced. We are now exploring other territories such as Bolivia to potentially support new commodities such as Brazil nuts. Peru will remain high in our priorities as it continues to be the main lending market in South America. For Central America coffee will remain a priority commodity in countries such as Nicaragua and Mexico.</li> </ul> <p>Africa:</p> <ul style="list-style-type: none"> <li>Africa has the potential for lending in a variety of products that we can work with under the wider certification programmes of Fair for Life and Ecocert.</li> <li>There is increasing potential to lend for regional and local trade instead of export, with regards to commodities and food security products (staple foods is consumed in-country such as grains and cereals like maize and rice). We are already lending to Rwandan producer group, Win Win, which processes maize into flour to sell in retail stores within the country, as well as selling processed products to neighbouring countries. There is potential to work with finance processors (these are business that add value to raw products supplied by small producer groups) for value addition projects as finance would enable them to work with a higher number of small producer groups.</li> <li>In terms of new lending territories the focus in the next five years for Africa will be Madagascar, Mozambique, Zambia, Senegal, Cameroon and Togo.</li> </ul> <p>NHPR:</p> <ul style="list-style-type: none"> <li>We have carried out initial research into Asia (which is a relatively uncharted region for the Society) and have established fair trade contacts in the Mekong region. We have identified four Asian countries where we are not limited by lending regulations or bound by prudential limit exposures: Philippines, Sri Lanka, Thailand and Vietnam. This research phase will continue into the next reporting period, as we are scheduled to attend the WFTO Asia conference in Nepal, and the Biofach conference in Bangkok.</li> </ul> <p>The lending team have brought so far 68 new lending proposals made of 29 new customers and 39 increases for existing customers for a total of GBP 11,331,212. Some new products were introduced such as grains, rubber and food supplement (guaraná). The pipeline includes 41 new lending opportunities split between new customers and existing customers. As part of the strategic review each region will now be able to explore not only new countries but also able to lend to other FT certifications such as ECOCERT, IMO-Fair for life and Naturland which previously required a FT assessment.</p> |

|   |  |
|---|--|
| <p>ultimately improve customer service and arrears management.</p> <ul style="list-style-type: none"> <li>• Develop existing and new partnerships to ensure that we are included within wider technical assistance programmes in order to provide capacity building support for our producers.</li> </ul> | <p>The project is now drawing to a close. Following the development of transactional and facility management components, additional functionality such as pipeline and customer relationship management tools have been added. Benefits of the new system include improved analytics and reporting, plus more robust security controls and increased remote access.</p> <p>We continue to work with our existing partners whilst exploring new partnerships. The Foundation has recruited a Fundraising Officer, who is leading this process.</p> <p>During the year we launched our two year Governance and Finance Training project supporting 20 producer groups across Kenya and Uganda, 12 of whom are current customers of the Society.</p> <p>In addition, we have developed new partnerships both locally in the North East and globally and are currently working together to develop projects and explore funding opportunities.</p> |
|---|--|

**Aim 2: Develop our community of investors, the support of donors and volunteers, and partnerships with those who share our commitment to fair and just trade**

|   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• A full strategic review for Shared Interest Society is undertaken and actions are put in place to implement the recommendations.</li> <li>• An increase in Share Capital and investor numbers to increase the funds available to lend.</li> <li>• Create regional opportunities for members to meet other investors, ask questions of staff and Board, participate in debate and offer other views.</li> <li>• Identify and value key partnerships.</li> <li>• Develop new funding sources for Shared Interest Foundation</li> </ul> | <p>A full member survey was circulated in January. The survey received a 29% response rate and included questions linked to the Strategic Review themes. Two workshops were also held for volunteers and we included a strategic review workshop for members attending the AGM.</p> <p>Share Capital has risen by £2.01m this year and the number of Share Accounts has increased by 202.</p> <p>We held a small-scale member event in Belfast, together with four events in London, Manchester, Edinburgh and Bristol, during May and June.</p> <p>Ongoing networking is taking place across the organisation and we conducted a brief partnership survey focussing on the SDGs. We have also become members of Social Enterprise UK (SEUK).</p> <p>We have a new Fundraising Officer in post, looking at new funding opportunities. Digital marketing campaigns ran during the year as well as a legacy campaign in July.</p> |
|---|---|

**Aim 3: Manage our resources in line with our principles of love, justice and stewardship**

|   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• Develop a better understanding of communication flows between all Shared Interest's offices and monitor staff engagement</li> <li>• Allocate the carbon offset fund in partnership with other fair trade organisations, supporting a project that directly creates a positive environmental impact in the developing world.</li> <li>• Manage our resources to ensure we minimise the environmental impact of our operations.</li> </ul> | <p>The People Gauge Survey was repeated in July and results compared against previous years.</p> <p>An Internal Communications Survey was sent out in June. The focus of this survey was on internal communication and the flows between Shared Interest teams. We received an overall response rate of 65%.</p> <p>The Environmental Team is in consultation with the overseas staffs to identify a suitable project that will positively impact the environment.</p> |
|---|--|

|   |   |
|---|---|
| <ul style="list-style-type: none"><li>• Maintain robust financial controls managing our exposure to risk.</li></ul> | <p>We continue to monitor our carbon emissions by recording electricity usage and business travels as we aim to reduce the environmental impact of our operations. The data obtained at year-end will be compared with those of previous years to establish how well we are doing and to take further action to improve our performance in this area.</p> <p>The audit tender process was completed and PWC were re-appointed as external auditors. Internal controls continue to be operated as normal and there have been no known breaches. Increased monitoring continues with the production of a large exposures report for Board and a monthly large exposures report for Senior Management Team. A new risk premium calculation for lending has been developed and will be brought into use during 2018/19.</p> |
|---|---|

# What we want to achieve next year?

As agreed by the Senior Management Team and Board

## AIM 1:

**Provide financial services and business support which make livelihoods and living standards better for people as they trade their way out of poverty.**

Review the 'shape' of the lending portfolio to achieve a sustainable business model.

~

Increase and diversify the lending portfolio through exploration of new markets, particularly Asia, and by working with certifications that comply with the WFTO 10 Fair Trade Principles.

~

Implement a new lending system that will improve customer service and account management by the end of Q1, 2019.

~

Explore collaboration to develop products to help producers tackle environmental challenges.

~

Develop existing and new partnerships to ensure that we are included within wider technical assistance programmes in order to provide capacity building support for our producers.

## AIM 2:

**Develop our community of investors, the support of donors and volunteers, and partnerships with those who share our commitment to fair and just trade.**

Change the Rules of the Society and ensure that the process is well communicated to members.

~

Increase Share Capital and investor numbers to meet the increasing lending pipeline.

~

Maintain a strong focus on member engagement, creating opportunities for members to contribute, question and increase their knowledge.

~

Identify and value key partnerships to help achieve the objectives of both the Society and Foundation.

~

Develop new funding sources for Shared Interest Foundation.

## AIM 3:

**Manage our resources in line with our principles of love, justice and stewardship.**

Manage our resources to ensure we minimise the environmental impact of our operations.

~

Maintain robust controls managing our exposure to risk.

~

Reduce the cost of borrowing currency by re-negotiating our bank facility.

~

Monitor the impact of staff training and development and encourage staff engagement.

~

Allocate the carbon offset fund.

## NEXT STEPS

Following review of these accounts by an audit panel with SAN qualified Chair, they are approved by the Board of Shared Interest Society and Foundation. They will then be available for download from the Shared Interest website [www.shared-interest.com/social-accounts](http://www.shared-interest.com/social-accounts) and will be presented along with Financial Accounts to the Shared Interest AGM for adoption in March 2019. Information from the accounts will be disseminated to our different stakeholder groups throughout 2019, and any feedback will feed in to our next annual process.

## GLOSSARY AND ABBREVIATIONS

### AGM

Annual General Meeting - Meeting of Shared Interest Society members which reports on progress of the Society and Foundation.

### Beneficiaries

Those benefiting from Shared Interest Foundation projects.

### Board

Those elected members who are collectively responsible for the direction and management of Shared Interest Society.

### Buyer Customers

Wholesale or retail businesses which borrow money from Shared Interest to finance the purchase of fair trade products.

### CLAC

Latin American and Caribbean Network of Small Fair Trade Producers

### COCO

Comrades of Children Overseas. A registered charity based in North East England that provides sustainable sources of quality education to children living in poor and marginalised communities.

### CODUTK

An acronym in Kinyarwanda (local language), which stands for Co-operative Duhange Udushya Tuboneye Kinoni. This translates as 'Co-operative promoting best innovations based in Kinoni.'

### Comic Relief

A UK based charity that funds UK and international projects to alleviate poverty.

### Condition Precedent

A condition of lending that must be fulfilled before money is drawn.

### Co-operatives UK

A body that seeks to promote and develop co-operative enterprises in the UK.

### Community Shares Standard

Awarded by the Community Shares Unit (CSU) and indicates that the share offer Shares Standard document complies with their good practice guidelines.

### Council

A body consisting of 9 members of Shared Interest Society which serves to represent and reflect the views of the membership.

### CSAF

The Council on Smallholder Agricultural Finance - a global alliance of social lenders of which Shared Interest is a member, focused on serving the financing needs of small and growing agricultural businesses in low and middle-income countries worldwide.

### Donors

Individuals, groups or organisations (including corporates and charitable trusts) who donate money to Shared Interest Foundation.

### EDCS

Ecumenical Development Co-operative Society now Oikocredit.

### eSwatini

King Mswati III of Swaziland changed his country's name to eSwatini in April this year but we will refer to it as Swaziland for the purpose of this report.

### Ethical Finance

Providing finance in a fair and equitable manner.

### EUR, GBP, MWK, USD, ZAR

The main currencies in which Shared Interest lends - EUR: Euros; GBP: Pounds Sterling; MWK: the currency of Malawi; USD: US Dollars; ZAR: Zuid-Afrikaanse Rand

### Export Credit

Financial product designed for producer organisations to provide them with sufficient working capital to complete and deliver new orders or contracts.

### Facility

A type of loan (short or long term) made to a business customer.

### Fairtrade

Fairtrade is used to denote the product certification system operated by Fairtrade International. When a product carries the FAIRTRADE Mark it means the producers and traders have met Fairtrade Standards.

### fair trade

Fair trade is a trading partnership, based on dialogue, transparency and respect that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalised producers and workers.

### Fairtrade Federation

The trade association that strengthens and promotes North American organisations committed to fair trade. The Federation is part of the global fair trade movement, building equitable and sustainable trading partnerships and creating opportunities to alleviate poverty.

### Fairtrade International

The organisation that co-ordinates Fairtrade labelling at an international level (formerly known as FLO).

### FCA

Financial Conduct Authority - a regulatory body of firms which provide financial services to consumers in the UK.

### FLO

See Fairtrade International.

### FLOCERT

The global certification body for Fairtrade.

### FTGN

Fair Trade Ghana Network

### GDPR

The General Data Protection Regulation (GDPR) is a legal framework that sets guidelines for the collection and processing of personal information of individuals within the European Union (EU). GDPR came into effect across the EU on May 25, 2018.

### Insights

Training that helps colleagues understand themselves and others in relation to their personality type.

### IMO- ECOCERT

A leading provider of international certification services according to organic, environmental and social standards (from agriculture and aquaculture to forestry and fair trade).

### M&E

Monitoring and Evaluation - the ongoing process of measuring changes and analysing the extent to which these have derived from our work and achieved the intended aims.

### Market access

Ability of those producing products or services to find buyers.

### Members

Shared Interest Society is owned by its members, and each has one vote irrespective of the size of their investment. Individuals,

groups or organisations can invest between £100 and £100,000 in a Share Account.

#### **MFTN**

Malawi Fairtrade Network - umbrella body of Fairtrade producer organisations in Malawi. Providing advocacy, research and market development.

#### **Moringa**

A superfood derived from the Moringa tree in the form of leaves.

#### **NHPR**

How we define one of our lending regions – Northern Hemisphere and Pacific Rim

#### **People Gauge**

An online survey tool designed to measure levels of employee engagement.

#### **PNCEB**

Plateforme Nationale du Commerce Équitable Burkina. This translates as 'The Burkina Faso network for fair trade organisations'.

#### **Pre-finance**

Pre-finance takes place when a financial institution advances funds to a borrower based on proven orders from buyers. The borrower usually requires the funding in order to produce and supply the goods. One of the key reasons for pre-finance is so that the borrower has sufficient working capital to enable them to complete and deliver new orders or contracts.

#### **Producer customers**

Businesses which supply fair trade products and have a contract with Shared Interest to borrow money in order to finance that trade.

#### **QR**

Quarterly Return, the quarterly magazine produced for Shared Interest members.

#### **Recipient producers**

Producer businesses which do not have a credit facility with Shared Interest, but who receive payments from Shared Interest on behalf of their buyers.

#### **RICE**

Reseau Ivoirien du Commerce Équitable. The Fair Trade Network in Côte d'Ivoire.

#### **Rolling Facility**

A facility with an established maximum amount, where the customer has access to the funds at any time when needed.

#### **RWAFAT**

The Rwanda Forum for Alternative Trade - Partner organisation to Shared Interest Foundation, providing business support to fair trade handcraft businesses in Rwanda.

#### **SAN**

The Social Audit Network is a not-for-profit organisation which facilitates the exchange of information and experience between practitioners of social accounting and audit. Maintains a register of accredited social auditors.

#### **SEUK**

The national membership body for UK Social Enterprise.

#### **SDG**

The Sustainable Development Goals (SDG's), otherwise known as the Global Goals, are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity.

#### **Share Account**

Members of Shared Interest Society invest between £100 and £100,000 in a Share Account, which can be opened by UK residents aged over 16. Accounts can be held individually, jointly, or by groups.

#### **Share Capital**

The pooled investments of Shared Interest Society members in Share Accounts which provides the capital required for Shared Interest to be able to lend money to fair trade businesses around the world.

#### **SPP**

The Small Producers' Symbol (Simbolo de Pequeños Productores) represents an alliance to build a local and global market that values the identity and the economic, social, cultural and ecological contributions of products from small Producer organisations.

#### **Stakeholder**

Groups of people that can affect or be affected by the actions of a business.

#### **SWABCHA**

Swaziland Business Coalition on Health & AIDS.

#### **SWIFT**

Swaziland International Fair Trade - Partner organisation to Shared Interest Foundation, providing business support to fair trade businesses (mainly handcraft) in Swaziland.

#### **Term Loan**

A loan from Shared Interest for a specific amount that has a specified repayment schedule.

#### **Trustees**

Those elected representatives who are collectively responsible for the direction and management of Shared Interest Foundation.

#### **UK GAAP**

UK Generally Accepted Accounting Practice.

#### **Volunteers**

Shared Interest volunteers assist us in a variety of ways, from administrative support at our Head Office, to raising the profile of the organisation.

#### **WFTO**

World Fair Trade Organization - a global network of fair trade organizations (formerly known as IFAT - the International Federation for Alternative Trade) with regional branches such as WFTO Europe.

# LIST OF APPENDICES

All of these Appendices can be accessed online at [shared-interest.com/SA18/App#](https://shared-interest.com/SA18/App#) (Replace # with the Appendix number)

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| <p><b>1</b> Directors' Report and Accounts for the Society</p> <p><b>2</b> Shared Interest Foundation Accounts</p> <p><b>3</b> Description of Lending Products</p> <p><b>4</b> Explanation of our Country Lending Risk and Analysis of Producer Lending</p> <p><b>5</b> The Council on Smallholder Agricultural Finance (CSAF) State of the Sector Report 2018 available online at: <a href="https://www.csaf.net/wp-content/uploads/2018/08/CSAF_State_of_the_Sector_2018_FINAL.pdf">https://www.csaf.net/wp-content/uploads/2018/08/CSAF_State_of_the_Sector_2018_FINAL.pdf</a></p> <p><b>6</b> USAID-CSAF Financial Benchmarking Final Learning Report July 2018 - available online at: <a href="https://www.agrilinks.org/sites/default/files/usaids_csaf_financial_benchmarking_final_learning_report.pdf">https://www.agrilinks.org/sites/default/files/usaids_csaf_financial_benchmarking_final_learning_report.pdf</a></p> | <p><b>7</b> Human Development Report - available online at: <a href="http://www.latinamerica.undp.org/content/rblac/en/home/presscenter/pressreleases/2016/06/14/reca-da-de-millones-de-latinoamericanos-a-la-pobreza-es-evitable-con-pol-ticas-publicas-de-nueva-generaci-n-pnud/">http://www.latinamerica.undp.org/content/rblac/en/home/presscenter/pressreleases/2016/06/14/reca-da-de-millones-de-latinoamericanos-a-la-pobreza-es-evitable-con-pol-ticas-publicas-de-nueva-generaci-n-pnud/</a></p> <p><b>8</b> Social Impact Survey for M&amp;E purposes</p> <p><b>9</b> Longitudinal Study ~ Bomarts</p> <p><b>10</b> Building Sustainable Futures for the Handcraft Sector in Rwanda: End of Year 2 Report</p> <p><b>11</b> The Marr-Munning Trust Grant Monitoring Form</p> <p><b>12</b> Comic Relief 6 Month Update Report: SWIFT</p> <p><b>13</b> List of our Partners</p> <p><b>14</b> SDG Partner Survey Report</p> <p><b>15</b> Volunteer Survey Report</p> | <p><b>16</b> Volunteer Roles</p> <p><b>17</b> Volunteer Map</p> <p><b>18</b> Membership Survey Summary</p> <p><b>19</b> Budgetary Control, Financial Reporting and Authorisation</p> <p><b>20</b> Our Approach to Procurement</p> <p><b>21</b> Green Policy</p> <p><b>22</b> Internal Communication Report</p> <p><b>23</b> Compliance with Statutory &amp; Voluntary Codes</p> <p><b>24</b> Organisational Chart</p> <p><b>25</b> Social Audit Network Key Aspects Checklist</p> |
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In addition to internal data systems, and the Appendices above, a list of consultations, reports and further information contributing to the Social Accounts which was made available for inspection by the Social Audit Panel can be found at [shared-interest.com/SA18/supplementary](https://shared-interest.com/SA18/supplementary)

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