

## Fair Trade & Sustainability Report 2010-11

Pachacuti means world upside-down in Quechua, one of the principle languages spoken in the Andes. The name encapsulates our endeavour to redress the inequalities within the fashion industry by demonstrating that it is possible to be environmentally sustainable and benefit the producers through FairTrade working practices.

Since its foundation in 1992, Pachacuti has worked to the highest standards of Fair Trade, embracing sustainability, the promotion of traditional skills and support for community development alongside the charter of FairTrade principles. We are committed to empowering rural Andean women who are economically, geographically and socially marginalised.

In December 2009 the World Fair Trade Organization certified Pachacuti against the Sustainable Fair Trade Management System, now re-named the Fair Trade System after completing successful external audits of our supply chain in both the UK and South America. We became the first company in the world to be able to label all of our products FAIRTRADE CERTIFIED UK 001-2009 WFTO. The Fair Trade System

is a globally recognized certification system developed by the WFTO which is designed to empower small producers by providing a tool for continuous improvement. Pachacuti's certification guarantees a proven set of practices, procedures and processes which demonstrate social, economic and environmental responsibility throughout the supply chain.

## Key Achievements 2010-11

### Awards for Pachacuti - 2011

- Finalist WGSN Global Fashion Awards
- Winner - Observer Ethical Award, category 'Fashion & Accessories'

### National Awards for Excellence

- Big Tick Award & Highly Commended – Small Company of the Year category
- Big Tick Award & Highly Commended – Responsible Supply Chain category
- Big Tick Award Re-accreditation – International category

## Progress Towards 3 Year Plan 2008-11

Each year, we sit down with our producers and identify and prioritise actions which will improve our Fair Trade business relationship. It gives our producers a key role in deciding where they need assistance and how

our capacity building strategy should be directed for the next year. Our assessment also extends upwards through the supply chain, covering Pachacuti's UK office, shipping, packaging, energy use and recycling.

## Actions in 2010-11 contributing towards our 3 year Strategic Objectives 2008-2011

### 1. Develop a fashion forward hat collection to expand market potential.

Actions: categorised Panama hat collection into customer-orientated categories and focussed on increasing range in fashion-forward Jazz and Riviera collections.

Results: : 2010: 15 new fashion-forward designs - 2011: 18 new fashion-forward designs, in addition to expanded classic collection. Actions: employed a PR executive: Cost £9166 over 6 months

### 2. Increase Pachacuti's brand awareness in mainstream markets.

Actions: 2010: employed a PR Agency: Cost £9000 p.a. 2011: employed a PR executive: Cost £9166 over 6 months

Results: Good coverage in magazines and newspapers: Red, The Lady, The Observer, Womenswear Buyer, Grazia, Daily Mail, Harpers Bazaar, The National (UAE), The Times, Heat, Daily Express, The Guardian. Elle, Cosmopolitan

### 3. Provide more out of season work for our knitters by developing a Spring/Summer alpaca collection

Actions: Development of laptop bags & belts with knitters/weavers and looking at travel accessories i.e. shawls

Results: Ongoing sample development

### 4. Increase exports to 10 additional countries including the USA

Actions: 2010 sent 3 staff members on language course, french intern employed for 4 months, participating in UKTI programme - Gateway to Global Growth 2011: Attending more trade shows in Paris. Focusing on High-End Japanese buyers

Results: new stockist countries since 2008: Australia, Austria, Belgium, Channel Islands, Denmark, Germany, Greece, Italy, Japan, Korea, Mexico, Netherlands, New Zealand, Poland, Russia, Scotland, Singapore, Spain, Sweden, Switzerland, Tenerife, USA.

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**"Through the Sustainable Fair Trade Management System, Pachacuti has a model that can be used to inspire and practically engage other SMEs as well as to challenge the big players in the fashion and retail sectors."**

*Charles Duff, COO Europe & Middle East, Coffey International Ltd, Chairman of the International Award judging panel in which Pachacuti was Highly Commended for our impact on Millenium Development Goals.*

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**5. Cut our CO2 Footprint by 25%**

**Actions:** Changed electricity supplier to Ecotricity 100% renewables green energy in 2009 and in 2010 changed to Ecotricity green gas.

**Results:** Zero CO2 emissions for 2009-10 for heating office premises. Energy consumption at our main weaving association in Ecuador reduced from 5909KWh 2009 to 5054KWh 2010

**6. Establish an Apprenticeship program for 30 young women panama hat weavers to preserve traditional skills**

**Actions:** Pachacuti to increased orders, particularly of easy-to-weave styles which can be used to train apprentices

**Results:** 22 new easy-to-weave designs developed for 2011 catalogue, up from 15 in 2010.

**7. Reduce the cost of Quality Non Compliances by 90%**

**Actions:** Employed full time Production Manager to oversee QC issues

**Production manager visits producers annually to advise on QC issues and train community co-ordinators in Health & Safety and Quality. 100% of members of our main Panama hat association received Quality training in 2009 and 2010., totalling 18 days in 2009 and 19.5 days in 2010 Results:** Improved monitoring & QC checking in UK and increased visits to Ecuador, but non-compliant hats have still risen from 3% in 2009 to 3.5% in 2010

## Fair Trade Principles in Action

### 1 - Creating Opportunities for Marginalised Producers

Many of our producers now face shrinking local markets due to the rapid westernisation of traditional dress. Pachacuti's embroidery group are now 100% reliant on Pachacuti due to less committed buyers moving their production to countries with cheaper cotton prices, or changing to machine embroidery. If there are no orders

from Pachacuti, the embroiderers work in the fields picking tomatoes. As a result, A/W embroidered shirts and dresses are being developed, as well as S/S, to extend the buying cycle.

In 2010 we launched the Carry On Bag collection of sustainable, Fair Trade bags

to complement our Panama hat collection. Our first new supplier is the women's Hope Foundation in Colombia which is spinning yarn from recycled/offcut plastic bags and then knitting the yarn into new bags. This will be the first export order for this small group who comprise abandoned and abused women.

**Actions:**

- Monthly order to be placed for classic panama hats to create year-round work, allow for pre-planning within
- Customer orders brought forward to earlier ordering date for production in Autumn 2010. Monthly order placed for classic panama hats from December 2010 to June 2011 to create year-round work, allow for pre-planning within association and improve delivery timetable in UK.
- Expand Men's shirt range to create more work and to cross-sell with Panama Hats online and at trade shows
- Increase membership of Panama Hat Association from 130 back up to 200. In 2010 the membership increased to 157.
- Increase private-label work for other UK designers to provide more year-round work for hat weavers - for 2011 season we Private labelled for Paul Smith, Cath Kidston, Gieves & Hawkes, Febronie and Goodwood.

Creating Opportunities	2008-9	2009-10	2010-11
Number of producer groups with whom Pachacuti works:	18	14	12
Numbers of persons dependent on orders from Pachacuti- Estimated	1196	1108	1083
Number of less dependent producers (less than 25% of turnover: 302	302	415	398
Number of dependent producers (over 25% of turnover) 894	894	693	685



*Our main panama hat association has grown from 138 members and workers in 2009 to 157 in 2010 increasing capacity for production.*

### 2 - Transparency and Accountability

As a result of our pilot work on the FairTrade System, we are now one of 5 pilots participating in a 3 year EU Geo-FairTrade project. The Geo FairTrade initiative will provide visible accountability of sustainable provenance, both for raw materials and production processes using

technologies which rely on different remote sensing imagery. We will be involved in the creation of new social, economic and environmental indicators based on geographic data, resulting in increased transparency throughout the supply chain.

**Actions:**

- Spent 2 weeks in Ecuador conducting interviews and compiling data on a range of economic, and environmental indicators. Compiled a report on the field trip for WFTO and Geo Fair Trade and validated the accuracy of data collected on previous visits.

### 3 - Trade Relations

Over the past 2 years our relationship with our producer groups has improved due to our work on the FairTrade System. We have made significant investments in Quality Management to eliminate waste in the production processes. Through

the provision of improved digital technology, our producers have been able to communicate more easily with Skype and email. This has allowed for quick decision making and the avoidance of costly errors.

*"Pachacuti has helped us to improve our production, improve management and relationships, helping us to mutually fulfil the objectives of Maky Sirackuna through the help of Pachacuti." Quote from Maky Sirackuna*

**Actions:**

- Increase investment in Quality Mangement from \$2469 in 2009 to \$7720 in 2010.
- 3 days assisting main Panama Hat Association in business development

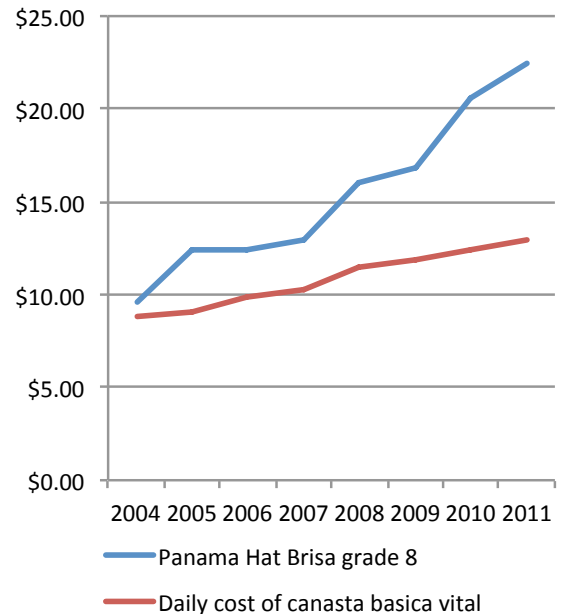
## 4 - Paying a Fair Price

One issue in determining a Fair Price is knowing how long it actually takes to weave a hat. The time to complete a hat can be affected by the weavers' natural rhythm, their age and health conditions. The weavers don't record their time as they weave between domestic and agricultural activities, so it has been difficult to obtain accurate data. To establish a benchmark for a fair price, two weavers were contracted to time their work from the stage where the hat straw is moistened and following the full process of the weaving until a Panama was completed. Both weavers were informed about the objective of this investigation and advised to work following their normal rhythm. The research took place over 2 days and the work was closely monitored. The average time required to weave a grade 2 Panama hat was 9h 3mins, less than half the time the weavers had told is that it took them!

3.Trade Relations	2008-9	2009-10	2010-2011
Prepayment is available for all producers.	50% always - 70% upon request for alpaca	50% always - 70% upon request for alpaca	50% always - 70% upon request for alpaca
Trade Relationships in years	4 groups/15 years 5 groups/7 years	4 groups/16 years -5 groups/8 years	4 groups/17 years 5 groups/9 years
Average length of trade relationship	7.37 years	9.93 years	11.17
Frequency of orders to Hat producers	Monthly	3 times a month	2.3 orders per month
LeadTimes- Pachacuti vs. Mainstream	4-5 months v 1-2 months	3-4 months vs 1-2 months	3-5 months vs 1-2 months

**Actions:**

- Completed an indepth analysis of hours required to weave different grades to create detailed price/fair wage analysis in conjunction with intern from GeoFairtrade project
- Price increase of 13% direct to weavers implemented for weaving co-op in 2010, with a further price rise of 12% for classic styles in May 2010. Panama prices paid to producers for 2011 increasing 14% - 22% on average, with some increases up to 28%



## 5 - Child Labour

Our Panama hat association administrates a grant aimed at child workers to encourage them to continue their secondary education, providing \$110 a year educational grant to enable them to continue to study and stop working, as well as \$88 annually from 3rd grade of basic to 10th grade. They also run afternoon

classes on values, mathematics and language for children from 24 zones. In 2010 there were 172 children in INFA. These services depend on government support but also depend on income from Pachacuti's sales which provides the majority of the income to pay for staff and premises.

Child Labour Issues	
2008-2009	0
2009-2010	0
2010-2011	0

## 6 - Gender Equality

We are committed to empowering rural women from this region of high migration who are economically, geographically and socially marginalised. We provide sustainable livelihoods: well-paid work which fits around their agricultural cycle, meaning that they can earn an income working from home between sowing and harvesting their crops and remain within their communities to care for their families. Over 95% of our workers in South America are women and all but two of our supplier organisations are at least 50% female-owned.

Gender Equality	2008-9	2009-10	2010-2011
Pension for women not covered by co-op	\$60 month	\$100 month	\$100 month
Financial resources allocated to assist needy woman	\$3000	\$2480	\$2332
Number of dependant producers (over 25% of turnover)	894	693	685

## 7 - Working Conditions

During April 2011 we trained 9 community co-ordinators in Health & Safety and these women will then be training all of the members within the communities they represent. Additionally 8 out of 9 workers at the association were also given a presentation on Health & Safety. The management team at Pachacuti are currently working on an almost entirely visual Health and

Safety Manual as only 37% of our weavers have completed primary education. Pachacuti also spent \$290 for Health and Safety, training costs and safety equipment purchased, including 3 professional respirators and 10 pairs of heavy duty gloves.

Working Conditions	2008-9	2009-10	2010-11
Eye tests and glasses for embroiderers	\$400	\$746	
Eye tests and glasses for hat weavers		Budget \$1040	\$1065

**Actions:**

- Continue with Glasses for Glasses program to continue purchasing glasses for our producers.
- Develop visual health and safety manual for producer groups.

## 8 - Capacity Building

In 2010 we developed Quality Control feedback forms and Product Specification Sheets which show all elements in pictorial form. This has enabled all of our producers, even those who are illiterate, to understand the items. Supplier feedback is through questionnaires and interviews but principally through annual visits to each group using analytical tools we developed specifically for working with producers with low literacy.

In the UK we have provided our staff with 78 hours of outside training this year.

## 9 - Promoting Fair Trade

We prominently display information about FairTrade and WFTO and all the events we attend such as RHS Chelsea Flower Show, Burghley Horse Trials, Pure London and London Fashion Week.

Highlights include being Highly Commended in the Coffey International Award in the National Awards for Excellence, second to Barclays/The Guardian. We were honoured to meet Prince Charles and talk to him about our work in Ecuador.

In 2010 we began a partnership with our local church and schools to raise money to purchase glasses and pay for cataract operations for our producers. 45 pairs of glasses were purchased in 2010 through Glasses for Glasses days at two primary schools.

## 10 - The Environment

We integrate environmental concerns into our production process and operations with the aim of reducing and preventing pollution, emissions, waste and harmful chemicals. We endeavour to continuously improve our environmental performance and have put in place an environmental management system according to EU EMAS Regulations. We are committed to minimising CO2 through using locally-sourced, sustainable raw materials in our supply chain. Over 90% of our raw materials are sourced within country, thus contributing to the local economy and reducing CO2 emissions. We are signed up to the DEFRA Sustainable Clothing Roadmap

Our producer groups consist mainly of small co-operatives and most had never before carried out any analysis of their production process or supply chain, so found the process and the results extremely beneficial to improving their organisation, management and procedures. Together with our producers, we analyse where environmental improvements need to be made, add control checkpoints, appoint responsibility and create an annual action plan. Pachacuti works with our producer groups to develop good management practices to prevent and manage accidents and environmental. We have put procedures in place to identify and correct failures in complying with system requirements, achievement of targets and objectives and daily working practices.

**Raw Materials:** In 2010 a team from Pachacuti visited our growers of Car-ludovica Palmata straw on the coast of Ecuador at their community-owned,

protected reserve of 5600 hectares. The growers practise sustainable, organic cultivation, actively encourage biodiversity of plants and animals and are trying to list their plantation as a Cultural Heritage site.

**Biodiversity and Buttons:** 100% of our Ecuadorian clothing has tagua nut buttons. Tagua nut buttons are an important means of rainforest conservation as the nuts can be sustainably harvested.

**Minimising Water Use:** Felt hood producers and Panama hat association have water filtering systems to clean and reuse water. Water filtration system at panama hat association has been checked in Spring 11 by local government officials and it is working effectively and no leaks detected.

**Energy Consumption.** In the UK, we have switched our electricity and gas to Ecotricity, the UK's greenest energy company. Energy consumption at our main weaving association in Ecuador reduced energy company through efficiency measures have reduced electricity use from 2009 - 5909 kwh to 2010- 5054KWh

**Recycling:** We re-use or recycle over 98% of packaging.

8. Capacity Building	2008-9	2009-10	2010-11
Support Development of locally adapted management tools	£1,646	£3,230	\$14734
Hours of training producers- design, colours, quality, techniques	250	82	146
Design Development Workshops	7	9	14
Full day visits to producer groups	18	12	
Financial resources allocated to asset investments	\$2000	\$1150	\$160



Participants from area primary schools who participated in Pachacuti's Glasses for Glasses day to raise money to buy glasses for FairTrade Producers

### Environmental progress this year includes:

- Hat weaving association: using less electric as have adapted their HQ to get excellent light and have reduced electricity use
- Training provided to all producer groups about recycling. Felt hoods: Any leftover wool gets sent to independent artisan upholsterers in Quito for use in upholstering chairs.
- Pachacuti provided training in how to use less water in washing garments and how to reduce waste.

Environmental indicators Period 2007-2010			
*CO2 calculations -DEFRA	2007-8	2008-9	2009-10
<b>Energy Usage per Annum</b>			
Electricity KWh	20,472	10345	10501
Gas KWh	8442	6647	8841
CO2 (T):	12.55	6.88	7.49
<b>Emissions: *</b>			
Travel: Land km	16100	24013	21,410
Train km	2764	4184	1142.63
Air km	81078	79690	66452.00
CO2 (T):	10.07	11.31	9.5
<b>Air Freight - Imports</b>			
Ecuador Kg	1733	2762	4658
Peru Kg	1273	474	486
Bolivia Kg	20	299	79
CO2 (T):	17.34	19.82	28.52
Air Freight exports KG:		572	307
Road Freight deliveries Kg		2135	1835
CO2 (T):		1.38	1.11