



ethical
consumer

Annual Review

2019

Ethical Consumer Research Association Limited

Welcome to our Annual Review for 2018/19

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1 Financial Performance

In the year to March 2019 ECRA made a loss of £40,029 on a turnover of £718,126. We had originally projected a small profit for the year. Although this is a disappointing result and we are concerned, there are reasons for optimism in the longer term.

Some reasons for optimism

(a) Firstly, we have built a completely new subscriber website during the year and our monthly rate of subscription sales has roughly doubled since its launch in September. Subscriptions to our magazine and website product are now growing at their fastest rate for nearly 30 years.

(b) Secondly, with the environmental and social consequences of unrestrained markets becoming ever more obvious, the political situation globally is not good and there is also a crisis of governance. While this is undesirable, it is driving more interest in ECRA's approach from both consumers and companies.

(c) Thirdly, our cash at bank position remains strong at £307,497 at the year end. Much of this is investor capital which has been placed with ECRA for the express purpose of helping it both to grow and to withstand losses during periods of development. Net assets also remain good at £330,771.

Causes of the loss

There were two main causes for the loss.

1. The consultancy side of the business did not perform as well as the previous year and missed its income targets by around £40,000. In addition, one of our biggest clients, Lush, is scaling back on some of its projects with us and we are working hard to fill the gaps.

2. The website rebuild was a highly complex process integrating our ethical rating database with our customer database and a range of external e-commerce providers. It took around 18 months to deliver and cost approximately £108,000. This is an investment, and the cost will be spread over several years (as depreciation). However there was particular and additional financial impact last year with increased web hosting costs and staff time, particularly during the change-over period.

Our next three year plan

We have just agreed a new three year plan which takes Ethical Consumer from April 2019 to March 2022. We have continued confidence in the relevance and viability of our products and services and have ambitious investment and development plans for:

- the print magazine which is undergoing a re-design for our 180th issue and 30th birthday in September;
- our Corporate Critic research database, used by charities to screen their commercial partnerships, which is also being re-designed and re-launched in 2019;
- our core Research and Ranking Database itself, which sits behind all these products, and which will undergo an upgrade in 2020, and
- our staff who are continuing to learn about integrating principles of sociocracy into our co-operative governance.
- all our core projects which have a 'building resilience' theme running through them and which looks at 'diversity of income streams' amongst other factors.

Although our forward financial projections show another year of losses coming up in 2020, we expect these major investments to return us to profit in 2020/21 and yield a significant surplus in 2021/22.

Our investors

As it is for most enterprises, ECRA's need for capital investment comes in cycles. We are currently in the middle of our biggest period of investment since 2003 and we are doing it from a position of relative strength. None of this would be possible without the continued support of our investors and we are grateful for the important role they play. During the year ECRA's share capital remained relatively stable with £11,275 being withdrawn and £22,728 of new investment being made.

2 Financial Years to March 31 2018 & March 31 2019

Profit and loss accounts

| | Year to 31 March 2018 | Year to 31 March 2019 |
|--------------------------------------|-----------------------|-----------------------|
| Turnover | 763,759 | 718,126 |
| Cost Of Sales | (347,526) | (328,328) |
| Gross Profit | 416,233 | 389,798 |
| Distribution Costs | - | - |
| Administrative Expenses | (383,879) | (417,867) |
| Operating Profit/loss | 32,354 | (28,069) |
| Interest Receivable | 984 | 3,453 |
| Interest Payable | (12,982) | (15,413) |
| Tax On Profit On Ordinary Activities | 0 | 0 |
| Profit/loss For The Year | 20,356 | (40,029) |

Balance sheet

| | as at 31 March 2018 | as at 31 March 2019 |
|---|---------------------|---------------------|
| <i>Fixed assets</i> | | |
| Intangible assets | 48,016 | 109,879 |
| Tangible assets | 14,313 | 9,747 |
| Investments | 27,486 | 28,885 |
| Subtotal | 89,815 | 148,511 |
| <i>Current assets</i> | | |
| Stock | 500 | 500 |
| Debtors | 171,285 | 55,300 |
| Investments | 1,000 | 0 |
| Cash at bank and in hand | 285,725 | 307,497 |
| Subtotal | 458,510 | 363,297 |
| Creditors (falling due less than 1 yr) | (188,246) | (181,037) |
| Net current assets/(liabilities) | 253,118 | 182,260 |
| Net assets/(liabilities) | 343,933 | 330,771 |
| Share capital | 498,501 | 525,368 |
| Accumulated reserves | (154,568) | (194,597) |
| Shareholders funds | 343,933 | 330,771 |

3 Interest rate for shareholders

The Board is agreed that the current rate of interest (3.25%) should continue in place in the medium term. We believe that our current share capital should be adequate to fund the next stages in our 2019 to 2022 three year plan which is explained in more detail in Section 1 above.

4 Ethical Consumer Annual General Meeting 2019

Our Annual General Meetings are the main opportunity during the year when we can meet with investors and share ideas and plans. This year we are holding the AGM on a Friday afternoon at the Ethical Consumer offices so that members can come and see where the magic happens! Ethical Consumer operates within a unique development of social enterprises and co-operative housing within walking distance of Manchester Piccadilly station. (There's a picture of it on the front cover.)

We do hope you can come along. Details are as follows:

Date: Friday 13th September 2019
Time: 12.30 – 4.00pm
Venue: Ethical Consumer Office,
Unit 21, 41 Old Birley Street, Manchester, M15 5RF



- 12.30 Registration and meet Ethical Consumer with buffet lunch
- 1.00 Formal AGM – including approval of accounts and the results of Investor-Member Directors elections
- 2.00 Refreshment break
- 2.15 Tour of the Ethical Consumer offices and cooperative workspace
- 3.15 Highlights of the year
- 4.00 Close

Attending via conference line? Investors may also attend the formal AGM element via our conference line using the following details: participant code: 922057, call freephone: 0800 254 0230 or for overseas callers: + 44 (0)203 559 0230

Attending in person? Directions to the Ethical Consumer office can be found here: www.ethicalconsumer.org/contact-ethical-consumer

Do please let us know if you'd like to attend by RSVP-ing to:

finance@ethicalconsumer.org or by phoning the office on: 0161 226 2929.

5 Board of Directors and Election of Investor-Member Directors

The Directors at 31st March 2019 were:

5 worker directors (staff elected)



Rob Harrison



Anna Clayton



Tim Hunt



Jane Turner



Joanna Long

2 non-exec directors (board appointments)



Sam Kimmins



Shaun Fensom

2 investor member directors

(member elected)

Fiona Nicholls and Dan Welch

Investor-Member Director elections

We have received four nominations for the two Investor-Member Director seats on our board, meaning that we will hold an election to decide who will serve on the board for the coming year.

Statements from all four candidates can be found below.

Voting will take place from 31 July until 11 September. Electoral Reform Services will be handling this on our behalf via a web portal and postal votes. You will receive information from them in the next few weeks to tell you how to vote.

If you have opted to receive email communication from us, you will be contacted via email by ERS to give you your security code for the voting site. Emails will come from the following address OnlineVoting@electoralreform.co.uk You may wish to 'whitelist' this address to avoid it going into your junk mail folder.

Fiona Nicholls

It's only my first year on the Ethical Consumer Board as an Investor Director and I would definitely like to continue. Although just getting started in the role, the positivity, professionalism and commitment of the exiting Board has made it easy to settle and get up to speed.



My background...I've been an Ethical Consumer (EC) supporter for many years, investing in loanstock in 2003 and enjoying the magazine/online resource ever since. I've always been thankful that EC colleagues take much of the pain out of a sometimes bewildering choice. I'm also an investor member (Founder Director 2012-2016) in St John' Sunshine in Old Trafford, as well as Stockport Hydro and The Phone Coop (Non Exec-Director/Vice Chair 2015-2018), the latter now part of The Midcounties Co-operative.

As well as a passion for co-ops, the environment is extremely dear to my heart and I've built my career around doing my best to protect it. The seed was sewn when I failed school exams and had the opportunity to do an Environmental Science O Level.

Many years on I'm now Head of Assurance & Environment within Gowling WLG, a global corporate law firm that is deservedly rated in the top 10 of Great Places to Work for large companies. My role involves setting strategy for the new Assurance and audit function, overseeing international standards/certifications (e.g. ISO14001, ISO9001) and directly supporting General Counsel, Partners and the Board. As the firm's environment lead in the UK I look to affect sustainable change amongst 1,200 colleagues, as well as suppliers and clients.

Although in the past I've mostly been part of smaller sustainability-focussed enterprises, I've long realised that much more can be done by engaging the unengaged. Most people fundamentally care and have values, it's just that us greenies tend to be so passionate and emotional about what we do, we often struggle to get our message across. It seems good to seek out those that think differently to ourselves, to listen, learn and lead, and to never stop trying.

EC is clearly at the forefront of transparent ethical consumerism, research and has genuine passion, punching well above its weight. I would love to continue to be part of the team, building on a tide of change and being part of an exciting,

interesting decision-making process and time. Having attended all the meetings in the last year I'm well up to speed and keen to keep up a momentum which only comes from experiencing a good full year. I therefore ask my fellow members to support me in becoming an Investor-Director for a second year.

Dan Welch

I have been a Director on the Board of Ethical Consumer since the organisation was reconstituted as a multi-stakeholder co-operative in 2008, first as a Worker Director and subsequently as an Investor Member Director.



I worked for Ethical Consumer as a writer and researcher from 2006 until 2011, and was Co-Editor of the magazine 2009-2011. I left Ethical Consumer to spend more time on studying for a PhD and I am now Lecturer in Sociology and researcher at the Sustainable Consumption Institute at the University of Manchester.

I have also worked in a freelance consultancy capacity, specialising in issues around sustainability, ethics and consumption for a range of organisations, from major companies such as BT Plc and the Co-operative Asset Management, to charities, publishers and academic organisations. Most recently, I have undertaken consultancy for DEFRA on the future of sustainable food and for the Stanley Foundation, a US philanthropic foundation, advising international policy makers on sustainable consumption.

Over the years Ethical Consumer's business model has adapted from a publishing company with a small consultancy operation to one in which consultancy financially underpins the organisation's core mission of publishing and campaigning. In my time with Ethical Consumer I initiated our close relationship with Lush Cosmetics, which has grown to become the co-operative's most important client.

I bring to the Board a unique combination of insider understanding of Ethical Consumer as an organisation and an outsider's perspective from both the academic and commercial worlds. If I am returned to the Board I will continue to use these skills to support Ethical Consumer's objectives, through the tireless integrity of its research, to bring corporate power to democratic accountability, to support progressive social, ethical and environmental campaigns and to inform citizen-consumers.

Rachel White

Ethical Consumer is a very important organisation in my life. Firstly, it gives me hope that the things I do as an individual can make a difference; secondly, I frequently use the superbly detailed product guides to help me decide what to buy when I need something; and finally, I have met many like-minded people through attending the AGM and Conference over the years. I have been an Investor-member since 2012.



It is always interesting to follow the activities of other organisations supported by Ethical Consumer and in November 2017, I joined the board of Save Our Bank, the Customer Union for Ethical Banking.

I am applying to join the board now, because I have recently left a full time job working as a business analyst for a part time role in customer service. This gives me more time for voluntary activities such as this. This is a really interesting time for the organisation because climate change is now a major current affairs issue, which gives us potentially more customers, but also increasing competition from other companies also offering company ratings. I hope I could contribute to the development of Ethical Consumer, from the point of view of a long-term subscriber.

Karen Wilkes

Having been an investor for over 20 years and subscriber for longer, I have followed and supported the principles of EC. I am 54, used to be a nurse, then became a company director of our family business in health for 20 years. I now volunteer with Citizens Advice and am also involved with a homeless charity. I believe in equality and am a Green Party member, also a Quaker. Having service on charitable boards before I hope I can support and contribute to the Ethical Consumer Board.

More information about how our co-operative works, including the duties of a Director and the Society's rules are available on the Ethical Consumer website at www.ethicalconsumer.org/about-us/members-area

6 New staff recruited in 2018

In 2018, we added three new staff to the payroll to replace leavers and to increase our capacity to deliver the new business the co-op is generating.



Sophie Billington

Sophie graduated in English Literature from the University of Manchester in 2018. She worked on an events and media fundraising platform before she joined Ethical Consumer as our Digital Editorial Assistant.

Tom Bryson

Tom previously worked as technical support consultant for a video technology firm, and joined us in late 2018 as our internal technical support worker, and project leader for web integrations as well as helping out with digital production. He is now also training as a researcher specialising in the technology sector.



Alex Crumbie

Alex graduated from the University of Sussex with a BA in International Relations & Philosophy and an MA in Global Political Economy. He has worked as a support worker/carer and a researcher at the Institute for Employment Studies before joining Ethical Consumer as a writer/researcher.

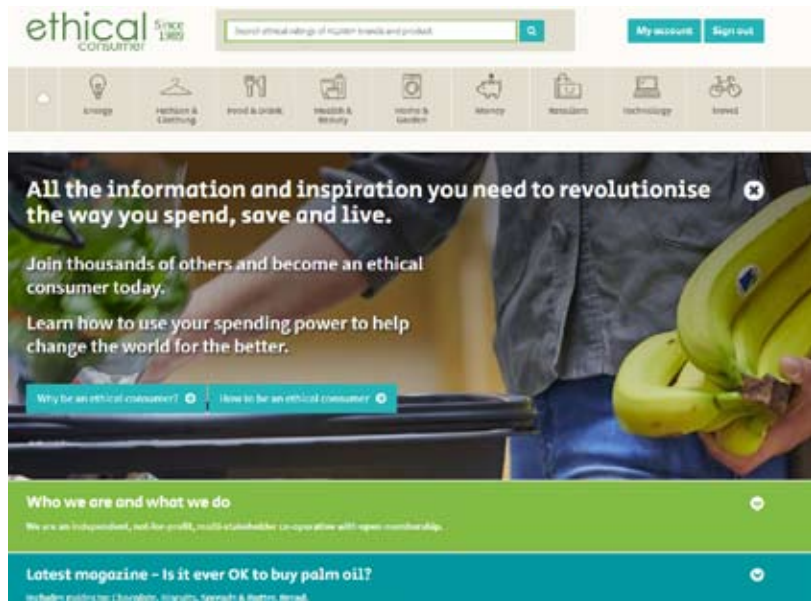
They replace three valued staff members who left during the year to take up ethical challenges elsewhere. Leonie Nimmo now works as a researcher at the Conflict and Environment Observatory (CEOBS) which monitors and raises awareness of the environmental dimensions of conflicts and military activities, Heather Webb now works on ethical supply chain management at the clothing company ASOS, and Georgina Rawes is working her magic on the social media channels at St Mungo's – a charity addressing homelessness.

We'd like to thank Leonie and Heather particularly who had nearly 20 years of service at ECRA between them and who both served on the ECRA board as worker directors.

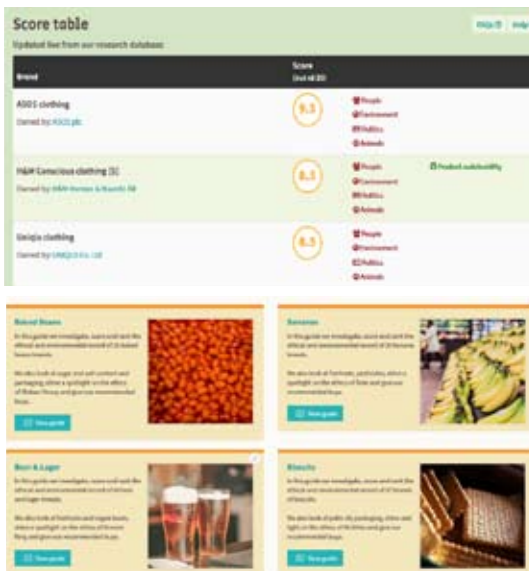
Profiles of our other staff appear on our website at www.ethicalconsumer.org/about-us/our-people

7 New Ethical Consumer website

Last year, on September 28th, we finally pressed the 'go live' button on our new consumer website. Weeks of testing the complex interactions between the data on the website and our various subscriber types and payment systems had preceded this. We had lots of test servers speaking to other test servers and teams of staff ironing out the inevitable niggles.



Although we had steeled ourselves for an initial dip in commercial performance, it was an instant hit and the figures are outlined in more detail in the 'highlights' section below. In a digital age it's vital to have a website that responds to the latest technological developments and we think we've managed to deliver it fairly seamlessly.



Much of this was down to the ability of technology to give us much more information about what people really want from the ethical information we provide. We can see, for example, that among our most popular pages are those on palm oil and our product guide on ethical banking. This way we can make sure that these resources are always high quality and up to date.

Reader questionnaires and focus groups (way back in 2017) also played an important role in re-designing the site. The message from all those who responded was clear: they wanted a simpler site that was less cluttered, easier to navigate and had better search functionality. We think we've delivered on these things.

The home page is a great example of where we've done this. The navigation to our product guides (which we know is what our readers are most interested in) is

now front and centre, we've slimmed down what appears on the home page so it's easier to see the wood for trees, and the search functionality is still there but much enhanced. We've also made some innovations on the product guides and company profile pages, switched to an open source platform, added some new payment options, and changed the way we serve ads.

A big thanks to all those who helped make it possible including Michael Wignall at Orange Tree Digital, developers Agile Collective, designer John Ossaway, Georgina and Elizabeth from Ethical Consumer, and many more.

8 Other highlights of the year

Highest ever subscriptions levels

The combination of new website, new payment systems, and great content has led to our subscriber levels reaching new heights this year.

Since the new website launched in September, our average number of subscriptions sold per month has risen to 373. This compares to 196 monthly in the last six months of the old website. December 2018 was our best ever month for new subscriptions, with 470. (Our previous best month had been 285 new subscriptions in November 2015.)

The effect of this on our overall subscriptions levels have been equally good. In January we surpassed our highest ever number of subscribers (7,660), a record which had stood for 13 years. Latest figures have overall subscriptions standing at 8,157.

Palm Oil in November

Thanks to the 'controversial' Iceland/Greenpeace palm oil TV advert, our November 2018 web visits spiked at 281,605 and more than 500 people listened to our podcast episode on palm oil. One listener/subscriber was so impressed she wrote to us:

“

I listened to the palm oil podcast and I loved it! I felt that it offered such a complete picture about how it is the most efficient vegetable oil, doesn't need to be made into trans fats and how difficult the choice is (but we do have one)

whether to support sustainable palm oil or boycott it. I loved it that you gave me such much information so that I could draw my own conclusion. I look forward to more of them! And, I would be able to forward these podcasts to the not “awoke” consumers for their awareness because it was well-rounded.

Ann Korijn

Which?

In the first few months of 2019 we worked with the Consumer's Association (publishers of Which? Magazine) to rate the conflict minerals policies of mobile phone companies.

The results were published in the April edition of Which? Magazine alongside their usual rating of product performance and price.

They also featured some of our advice on Ethical Banking in their finance guides the following month.

As we mentioned in a recent magazine editorial, this marks a step change at our much bigger sister organisation which has seen ethical issues generally as beyond its remit for at least 20 years.

FEATURES & INVESTIGATIONS
GLOBAL IMPACT OF TECH

WHAT'S IN A SMARTPHONE?

Smartphones, and most other electronics, contain more than a third of the 92 naturally occurring elements, performing a complex combination of roles. Four of these elements – tungsten, tantalum, tin and gold – are known as conflict minerals. For more on how they're used in smartphones, see right.

Tech and conflict minerals
They're called conflict minerals because their theft and sale has funded armed groups committing mass violence in the Democratic Republic of Congo. The arising conflict – the Second Congo War – has been the deadliest since World War II.
A decade ago, pressure from activists concerned about Western use of conflict minerals increased. In 2010, the Dodd-Frank Act Section 1502 was passed in the US. This forces all US-registered companies to publish their sources for tantalum, tin, tungsten and gold. This transparency meant companies rushed to fix problems in their supply chain and the outlook has generally improved.
But many companies do still use conflict minerals without being clear about their supply chains. According to research by Ethical Consumer, and shown in detail, right, smartphone manufacturers can be ranked based on their transparency and commitment to using conflict-free minerals.

HOW DO SMARTPHONE BRANDS COMPARE ON CONFLICT MINERALS?

| SMARTPHONE | CONFLICT MINERAL RANKING (0-10) |
|-------------|---------------------------------|
| 1 Fairphone | 10 |
| 2 Apple | 9.5 |
| 3 Motorola* | 9 |
| 4+ Google | 8.5 |
| 4+ Sony | 8.5 |
| 7 Samsung | 7.5 |
| 8 LG | 6 |
| 9 Huawei* | 3.5 |
| 10 HTC | 1 |
| 11+ Alcatel | 0 |
| 11+ Doro | 0 |

*no part of London
*including Mexico

Rankings based on analysis by Ethical Consumer commissioned for Which? Research conducted from 2018.

40 WHICH? APRIL 2019

WHICH.CO.UK

Press coverage of the 2018 Ethical Consumer Markets Report

We had good media coverage of our annual review of the size of the UK ethical market in December 2018.

The Guardian, the Metro and the i, were just three of the mainstream outlets that discussed it.

The Ethical Consumer Markets Report (ECMR) was also cited in the recently published Organic Markets Report by the Soil Association. Partly as a result of this, the Coop Group will be sponsoring the ECMR in 2019.



The Metro featured our state of the ethical market report.

9 Tax on interest accrued on your shareholding

When ECRA converted to an Industrial and Provident Society in October 2008, we were no longer permitted by law to deduct tax from interest accrued in shares. Investors may therefore need to do this in their own tax returns.

We are however required to send Revenue and Customs a list of all the names and addresses of investor members who have earned interest of more than £200 on their holdings in the preceding period. Most of our investors do not fall into this bracket.

10 Forms for increasing, reducing or converting your investment

If you are already an investor member and would like to invest further money in ECRA, please fill in Form A on page 16. Shares attract interest at 3.25%. Alternatively you may send an email to elizabeth@ethicalconsumer.org using the same wording as the form if you wish to invest by bank transfer.

If you are a shareholder and you would like to reclaim some or all of your investment, please fill in Form B on page 17. Alternatively you may send an email to elizabeth@ethicalconsumer.org using the same wording as the form.

If you wish to become a new investor you will need to fill in the new member application form at Form C on page 18. Shares attract interest at (currently) 3.25% and have additional member benefits.

Code of Practice

ECRA, unlike banks and building societies, is not subject to prudential supervision by the Financial Conduct Authority. Ethical Consumer abides by a code of practice which requires it to provide a statement to its shareholders on the nature of their investment and any change affecting it.

The position you occupy as a shareholder of ECRA is no different from that of a shareholder in any other corporate body in the sense that, if ECRA fails, you may not have all, or any of your investment returned to you.

Your liability, however, does not extend beyond your own investment.

Your investment is withdrawable without penalty.

If you have any questions regarding the code, please address them to:
The Secretary, ECRA, Unit 21, 41 Old Birley St, Manchester M15 5RF

Please contact Ethical Consumer for more information where required on 0161 226 2929.

Thank you for investing in Ethical Consumer Research Association Limited.

Form A: Share Account Investment Form

Members of Ethical Consumer Research Association Ltd are advised that investments can be made by cheque or bank transfer to 089000 70923146. Please use your name as a reference.

I wish to invest a further £

Amount in words

I wish to pay by:

- cheque (enclosed)
- bank transfer

Name(s)

Address

.....

.....

.....

Signature **Date**

Please sign and return this form to:

Ethical Consumer Research Association Ltd, Unit 21, 41 Old Birley Street,
Manchester M15 5RF.

Please contact Ethical Consumer for more information where required on
0161 226 2929.

Form B: Share Account Withdrawal Form

I wish to withdraw/be repaid £.....

Amount in words

Name(s)

Address

.....

.....

.....

Signature Date

Please sign and return this form to:

Ethical Consumer Research Association Ltd, Unit 21, 41 Old Birley Street,
Manchester M15 5RF.

Please contact Ethical Consumer for more information where required on
0161 226 2929.

Form C: New Member Application Form

Full Name(s).....

Address

.....

.....

Telephone number.....

Email

I wish to apply for membership of Ethical Consumer Research Association Ltd.
I confirm that I agree to be bound by the rules of the co-operative.

I enclose a cheque, payable to Ethical Consumer, for the initial investment of

£.....

OR

I have made a bank transfer to 08-90-00 70923146 on (date)
using my name as a reference for (amount):

£.....

Signature **Date**

Please sign and return this form to: Ethical Consumer Research Association Ltd,
Unit 21, 41 Old Birley Street, Manchester M15 5RF

Please contact Ethical Consumer for more information where required on
0161 226 2929.

Our rules are available to download on the Ethical Consumer website at
www.ethicalconsumer.org/about-us/members-area

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Consultancy Services

- Ethical screening of companies, products & services
- Supply chain analysis
- Policy Development
- Event co-ordination using ethically screened suppliers
- Organisational ethics survey design and analysis



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