

Solidaridad

ANNUAL FINANCIAL REPORT 2018

THE NETHERLANDS



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MANAGEMENT REPORT

In everything we do, we are driven by our vision and mission. We seek partnerships with others, collaborate with industries and aspire to be a financially sustainable organization. We will always ensure that what we do contributes to our vision of a sustainable and inclusive economy that maximizes the benefit for all.

Our Vision

Solidaridad envisions a world where the people who produce the resources on which we all depend can contribute to change that matters, change that leads to prosperity for all, without harming each other or the environment. This therefore helps to ensure that resources will continue to sustain us for generations to come.

Today, the global economy is not organized in a sustainable way. Many of us now realize that an unsustainable way of life threatens food security, our planet and our businesses. With a world population projected to grow to 9 billion people by 2050, we can only be fed if the agricultural sector makes a transition to smart and sustainable land use. And, as fossil fuel use becomes increasingly problematic, a transition to a bio-based economy is needed. Farmers worldwide therefore have a bright future as providers of food and suppliers of renewable energy and raw materials. They link as never before the issues of food security for developing countries and prosperity for the world as a whole.

Our Mission

Solidaridad is an international network organization with partners all over the world. There is a single agenda and a single strategy: together we learn and progress, together we achieve results, and together we decide on future steps.

Solidaridad is an organization for international cooperation that draws inspiration from the vision, values and capacities of people all over the world. Solidaridad is a transition manager, focusing on producer support and sustainable supply chain and market development. We partner with those who want to make a difference by changing business practices from being a part of the problem to being a part of the solution. Markets have to work for the poor, and companies are the key change makers.

Our aim is to make an impact by being the best in building partnerships, in piloting and scaling up programmes, in learning and innovation. Without a dream there is no first step. At the beginning there are no paved roads; simply by starting to walk, a path is created. Knowledge and values are needed. Skilled and motivated people are our capital. We are realists with a mission. We turn shared vision into meaningful impact in communities: from a shared vision to change that matters.

The global Solidaridad Network

Solidaridad is an international network organization with offices across the globe. The interconnected network places a focus on decentralized responsibility and implementation by regional teams. Local knowledge, experience and vision are guiding principles. The network's connectedness is fostered by a global vision, strategy, programming, communication and internal quality-control systems. Each part of the network contributes to the whole.

The premise of the structure is that it promotes capacity building: strengthening Solidaridad teams in the region, enabling them to take control of supervisory tasks and to manage programming themselves. The

regional Solidaridad teams cooperate with their own partners on the planning, implementation, communication and evaluation of programmes, and on reporting their results.

Solidaridad Network

The Solidaridad Network consists of eight regional expertise centers located in Asia, South America, Southern Africa, East and Central Africa, West Africa, Central America, North America, and Europe - each with their own specific expertise and focus. Solidaridad's programmes are developed and implemented by regional centers, each of which is locally registered and has a local legal structure, and which:

- are connected to the supervisory bodies of Solidaridad Network and the Executive Board, thereby contributing to the network strategy;
- manage interaction between the regional center and the country offices;
- are responsible for the development, implementation, reporting and evaluation of the programmes in their respective regions, taking the network's quality standards and systems into account;
- are responsible for regional fund-raising, thereby contributing to the network budget;
- employ local staff;
- are responsible for appropriate financial management and supervision, including the auditing of financial statements by an independent auditor.

Supervision

In line with its vision on local ownership and governance, Solidaridad created legal entities in Panama City, Nairobi, Hong Kong, San Francisco and Utrecht for its regional expertise centers. From these legal entities, funds are received for and allocated to the country programmes in the regions. The legal entities also act as contract partners for development contracts per continent, serving as a financial and administrative organization, including the handling of internal payments and consolidating financial statements.

The regional operations are supervised by Continental Supervisory Boards (CSBs), which are legally registered in the same places as the continental legal entities. Solidaridad's five CSBs provide direct supervision to the regional centers and country offices. The CSBs consist of leaders in business, civil society organizations or academic institutions from each continent: North America, South America, Africa, Asia and Europe. Each of these continental organizations is connected with the Solidaridad Network Foundation in Utrecht, the Netherlands, through the delegation of supervisory board members to the International Supervisory Board, thus creating a global network.

Management

The Executive Board of Directors (EBoD) is the main policy-making body, ensuring coherence between international commodity strategies and regional programmes. The EBoD is also responsible for the overall implementation of the international policy and commodity strategy. It consists of the managing directors from each regional expertise center. The chair of the EBoD is the Executive Director of Solidaridad Network, Nico Roozen.

The members of the Solidaridad Executive Board of Directors in 2018 are: Shatadru Chattopadhyay (Asia), Mandla Nkomo (Southern Africa), Michaelyn Baur (Central America), Isaac Gyamfi (West Africa), Sebastian Teunissen (North America), Heske Verburg (Europe), Gonzalo la Cruz (South America), Karugu Macharia, replaced by Rachel Wanyoike per December 1st, 2018 (East and Central Africa) and Tsuebing Sin (China, the regional expertise center in China is no longer active).

Network Secretariat

The Solidaridad Network Secretariat is based in the Netherlands and fulfils several functions within the global organization. It facilitates global policy development and acts as service center for the nine regional offices. The Network Secretariat provides support related to Solidaridad's quality assurance systems, as well as maintaining standards for financial management, accountability and control, planning, monitoring and evaluation, ICT infrastructure and human resource management. It is also responsible for global communication, which includes managing the international website, and developing communication guidelines, tools and standards for global branding.

Annual and long term planning

Strategic planning

Solidaridad positions itself as a 21st century civil society organization with a solution and market-oriented focus. Markets are becoming legitimate channels for social and ecological change. Solidaridad is not a watchdog. What fits us better is the role of the guide dog and we need to avoid becoming a lap dog. Solidaridad is a critical partner defending the public goods for future generations.

Market transformation is the driving concept

Most market processes are part of the problem, so we have to turn business practices into part of the solution. The driving concept for this is market transformation. Markets can only produce more desirable social and ecological outcomes through the interaction between good governance, corporate social and ecological responsibility and innovative civil society contributions. Public-private sector partnerships will be increasingly important for leveraging change.

Challenges to overcome

Both the population and consumption per capita are expected to grow rapidly for decades to come. By and large, these growth patterns outpace efforts to reduce negative impacts. One of the most pressing examples of growth outpacing sustainability is climate change. Attempts to reduce greenhouse gas emissions have been estimated to be seven times too slow to compensate for rapidly increasing consumption. Ecological challenges are increasingly interlinked on a global scale due to the intensity of the use of land, water and energy. In general, inequality in our world is growing. The richest 42 multibillionaires at the top of the income ladder hold wealth equal to the annual income of the 3.7 billion people at the bottom. The increasing disparity between rich and poor should inspire us to choose another – more inclusive – model of growth based on participation. Participation is key. Social inclusion – leaving no one behind – based on a broad pro-poor growth strategy.

Theory of Change

Solidaridad designed a Theory of Change and defined Result Areas for the next five-year period:

- good practices
- robust infrastructures in agriculture, mining and industry
- landscape innovations
- enabling policy environments

These four Result Areas contribute to two overarching aims: sustainable and inclusive sectors, and sustainable landscapes. At the highest level, the result chain has to contribute to more sustainable and inclusive social, environmental and economic development. Good practices in agriculture will remain a focus point for Solidaridad's work in the years to come. We can only make a difference in the field by directly working with farmers.

Bringing continuity and innovation

Solidaridad has defined a strategy based on continuity and innovation. The factor of continuity is related to optimization of production, smart and sustainable practices and doing 'more with less'. A big challenge is to create a more robust infrastructure for agricultural production. An intervention that goes beyond farm level is urgently needed. Good practices at the production site are of great value but not sufficient, sustainable or lasting. They have to be embedded in robust agricultural infrastructures, sustainable landscapes and enabling policy environments.

Innovations in Solidaridad's strategy

Inclusive development starts with women. Solidaridad will renew and improve its gender inclusion strategies. By choosing inclusive development, society can tap into the unused potential of women by offering them fair chances. Diversity – gender diversity – gives better results, better decision making and better cooperation. Women are better at giving the benefits of their work back to their communities and families. New technologies will enable Solidaridad to reach speed and scale in its programming. The information technology revolution will allow us to switch from compliance to continual improvement, from codes of conduct to incentives from peer comparison. Your neighbour's better performance is a strong incentive for improving your own practices and shows the business case of sustainability more clearly than an auditing report. Grants will be linked to credits and impact investments. Influencing the direction and the flow of capital, credit and investments is decisive for the future. The challenge is to link grant funding to decisions that bankers and investors make. Only blended funding will allow us to bring scale and speed to our programmes.

Scale is an important factor in agriculture

Good practices helped smallholder farmers escape from extreme poverty, but they remain poor. There are 500 million smallholder farmers in the world who sustain 2.5 billion people. Farm size is still going down. In Africa in the last decade, farm size has gone down and is increasingly too small for a decent living. Children of farmers choose for a difficult life in rapidly growing megacities. The average age of farmers has reached 60 years in many regions. Small is often not beautiful. Monocultures will be difficult to manage in more sustainable landscapes addressing issues of expansion, soil fertility, fossil energy and water use. The dilemma is: small is not beautiful, but neither is big. Solidaridad sees a big challenge for agriculture in general with a need for doubling the production in the next 30 years, making farming an attractive occupation for young people and an interesting sector to invest in.

Regulation can benefit frontrunners

Through policy influencing, Solidaridad is hoping to encourage regulations that make sustainability the legal norm. This is an important step in the transition to sustainable societies. In doing so, our business partners will be rewarded for their frontrunner role. By creating a level playing field through regulation, governments can involve those who were unwilling to meet voluntary standards on sustainability.

Solidaridad in Europe

There are two main ambitions for Solidaridad in Europe for the period 2016-2020. The first ambition is to strengthening Solidaridad's presence in Europe. Solidaridad has a strong and respected history and profile in the Dutch society as a result of 50 years of successful cooperation with companies and with Dutch civil society organizations and government. However, this Dutch identity must now be expanded and embedded in a broader European structure and operation. This will entail a gradual process of expansion of European activities, in which structure will follow strategy, and in which benefits and costs are balanced by using a pragmatic approach. In 2018 a legal entity in Germany was founded to support our

expansion in Europe. The end goal is a stronger European network of relations with companies and donors. Ambition 2 is a clear focus on core activities: having transferred the project-cycle-management responsibilities to the other regional expertise centers in the previous period, a clear focus on and dedication to the five core activities of Solidaridad in Europe will be a key factor for decision making on programming for the next period.

Corporate engagement

Solidaridad engages with businesses that show leadership, have innovative capacities, build credibility and invest in long term commitment and transformation either directly with supply chain parties or indirectly with technical or financial service providers. By 2020 three strategic partnerships are expected to contribute to sustainable transformative and inclusive supply chains. Six innovative partnerships are expected to contribute to the development and implementation of new market based solutions and thirty six supply chain parties for the full range of commodities and geographic scope are supported in their change towards sustainability.

Policy influencing

Now that sustainability is becoming more mainstream, involvement of governments at different levels is becoming a more important precondition in promoting inclusive sector transformation. Building on the track record of evidence-based policy influencing through dialogue engagement with policy actors at national and global level will continue and expand. By 2020 global multi-stakeholder initiatives in cotton & textiles, cocoa, palm oil and sugar cane have become more inclusive and European government policy on responsible trade and business is more effective in support of sustainable practices in cocoa, oil palm, textiles and gold.

Donor relations

The growth and diversification strategy aimed at support from donors for an annual turnover of more than €30 million by 2020 will continue focussing on building and maintaining long term partnerships with new and existing government donors the EU, multilateral organizations foundations, companies and the public. New business models are key in the future of sustainable development and innovation. In addition, investment in new markets such as Germany, are crucial to achieve scale and diversification of income. Meanwhile we will continue to invest in our current partnerships and deliver on existing contracts and commitments, as to ensure support from our partners leads to maximum impact and builds the ground for continued cooperation.

Communication and Campaigning

Strong positioning built on authenticity, integrity, and transparency, and effective communication built on real life stories will contribute to attract, bind, and enhance partners and consumers in sustainable solutions. Doing important work is only half the battle. Informing and inspiring others to join us is essential for ensuring that improvements continue.

Knowledge Management and Learning

Solidaridad Europe's overall goal with regard to Knowledge Management and Learning (KML) is to build knowledge to deliver effective, efficient and relevant programming and to enable continuous improvement in the organization. The KML strategy is based on three pillars: 1) KML aims to generate evidence by making sure quantitative and qualitative project data is collected in projects, 2) KML aims to bring together internal and external intelligence and produce knowledge products that support colleagues in their programming and show our track record and thought leadership to external stakeholders, and 3)

KML aims to strengthen functional excellence in the organization and teams by facilitating training, learning trajectories and information sharing (Solidaridad Academy).

Annual Planning

Based on this long term Strategic Plan the Annual Plan has been prepared. The strategic plan shows how Solidaridad translates its mission and vision into operational objectives and has been drawn up by the management and approved by the Supervisory Boards. The annual plans are a translation of the multi annual strategic plan into more specific objectives, desired results, activities and budgets. A context analysis and evaluation of the previous annual plan serve as guidelines in preparing the next annual plan. The Annual Plan has been drawn up by the management and approved by the Supervisory Boards.

Budget Solidaridad in the Netherlands for 2019

The budget for 2019 has been drawn up in the light of the objectives and priorities set out in the MASP (our multi annual strategic plan) for 2016-2020 and detailed in the Annual Plan for 2019. The 2019 budget was approved in the meeting of the Supervisory Board held on 10 December 2018. The income and expenditure statement for this budget is summarized below (in euros).

INCOME	Budget 2019	Budget 2018
Income from individuals	900,000	1,100,000
Income from companies	930,000	885,000
Income from Dutch Postcode Lottery	1,350,000	1,350,000
Income from government subsidies	24,141,000	19,183,000
Income from related organizations	70,000	-
Income from other non profit organizations	2,689,000	3,001,000
Others	-	-
Total income	30,080,000	25,519,000
EXPENDITURE		
Expenditures on achieving our objectives		
Communication and information	830,000	753,000
Structural aid	28,551,000	24,082,000
	29,381,000	24,835,000
Costs of income generation	872,000	895,000
Costs of management and administration	192,000	189,000
Total expenditure	30,445,000	25,519,000
Result excluding interest	-365,000	-400,000
Interest and income from investments	100,000	150,000
RESULT	-265,000	-250,000

The amounts shown in this budget for contributions from governments, companies, Dutch Postcode Lottery as well as the income from other Solidaridad offices, are based on donor contracts. The risk that

this budget will not be achieved is limited to the extent to which these parties may not meet their contractual obligations. It is expected that supplementary commitments will be made during 2019 and that the budget will therefore be exceeded. The revenues from individuals, of the collection in churches, direct mail and inheritances are budgeted on the basis of historic values, taking current developments and trends into account. The interest and income from investments are budgeted on the basis of historic values, taking current developments and trends into account. These sources of income are monitored on a monthly basis so that adjustments can be made if necessary. The expected expenditures include all expenditure relating to committed programme funding.

Our stakeholders

Developing mutually beneficial partnerships is perhaps the single most important aspect of our work in reconciling social and ecological responsibility with market and supply chain realities. As such, we partner with hundreds of players of all shapes, forms, and sizes from across global supply chains from local producers and associations, supply chain service and input providers, to governments, civil society, policy and decision-makers, CSR leaders, leading global brands and companies, and consumers.

Although many of our partners have differed in their interests or agendas, they all share one thing in common: They all believe we should - and can - create a world in which all we produce and consume can sustain us while respecting the planet, each other, and the next generations.

Since 1969 through today, we continue to build capacity, expertise, policy, tools and methodologies that will enable change that matters. Yet we can't do it alone. Ultimately we all need to become change-makers: small-holder farmers, miners, cutters, dyers, brands, businesses, governments and consumers alike. Creating change that matters requires us all to change together.

Our impact

Our approach to sustainability is to work from producer to consumer, along with key stakeholders, every step of the way. How?

Sustaining people, the planet, and profits

In order to make a real impact and ensure sustainable livelihoods for people and ecosystems, we believe that the market has an important role to play. This means that sustainability needs the support of market players, such as companies, retailers, miners, and producers. Sustainability must also be reinforced by market processes like pricing, which reflects social and ecological costs of production and environmental values.

Working from producer to consumer

We have almost 50 years of experience in supporting producers in achieving economic, social and ecological sustainability. This enables producers in developing countries to build capacity and earn higher prices for their goods while also highlighting the importance of landscape maintenance in preserving the environment we all share on the local and global level. We develop a range of instruments and services used by hundreds of thousands of farmers and other producers all over the world.

We also have almost 50 years of experience in working with corporate social responsibility (CSR) to create sustainable businesses and certification labels to mainstream sustainable production. Nowadays sustainability is on the agenda of many companies. They are taking responsibility for the origin of their

products and have started to see sustainability as one of the preconditions for the continuity of their business.

Solidaridad services

Solidaridad works on creating sustainable supply chains from the producer to the consumer. This enables producers in developing countries to get a better price for better products and it helps to preserve people's environment. It helps companies in the marketplace to implement CSR and find sustainable suppliers. Our worldwide network of expertise centers closely collaborates with local partners. Together we deliver the following services:

Services to producers

- Training farmers in farming techniques that have less negative impact on people and the environment and lead to better products and higher yields.
- Supporting producer organizations through capacity building and organizational strengthening.
- Assisting producer organizations to get access to means of production, finance and markets.
- Supporting agricultural producer organizations and industrial producer companies to qualify for social and environmental certification standards.

Services to companies

- Support companies to CSR and source sustainably in developing countries.
- Develop sustainable business concepts in order to broaden the marketplace for sustainable products from developing countries.
- Support the marketing of sustainable products and communication about CSR to better inform consumers and business partners.

Other services

- Developing initiatives and standards for sustainable production and fair trade.
- Supporting civil society organizations that empower women, farmers or employees, as well as organizations that protect nature and the environment.
- Seeking dialogue with stakeholders and the public using our network, knowledge, experience and views on sustainable economic development and CSR.

Results

Solidaridad is rising to meet the challenges of tomorrow by building upon a history of achievement, including major results for farmers, miners and workers. We publish our key results on our website. Some results reported in 2018 were:

- Improvements in rural sustainability, landscape governance, and business practices in the Soy Fast Track Fund Program in Brazil and Paraguay.
- The launch of the Southern Africa Roundtable for Sustainable Beef by Solidaridad and The Global Roundtable for Sustainable Beef.
- The adoption of a Health and Safety Manual for the Banana Industry in Ecuador as a mandatory framework for the whole sector. The manual is a result of the Banana Occupational Health and Safety project from Solidaridad, World Banana Forum, Banana Link and partners.
- Increase of maize yield for almost 10,000 small and medium holder farmers (from an average of 1.8 metric tonnes per hectare to 4.5 metric tonnes) under the Sustainable Maize Program in the three northern regions of Ghana.

- Improvements in agricultural production, household income and food security in Solidaridad's Sustainable Agriculture, Food Security & Linkages programme in Bangladesh, focusing on horticulture, dairy, and the aquaculture sector of southwest Bangladesh.
- The MASO Programme in West Africa made steady progress over the last two and half years in creating employment opportunities for young people in cocoa growing communities. Close to 1,000 hectares of new cocoa farms have been established and about 450 hectares of old farms are under rehabilitation by MASO youth.

Our risks

Trust first...

While Solidaridad's employees and partners work on the basis of reciprocal trust, management guards against individual abuses of this trust. Risks – and their consequences for strategy – are continually assessed. The board is aware that economic conditions can change quickly, politics can be unstable, and markets volatile.

Solidaridad has zero tolerance for fraud and corruption, meaning that Solidaridad staff members, all non-staff persons associated to Solidaridad, suppliers of goods and services, implementing partners and other responsible parties contracted by Solidaridad for a Solidaridad funded project are not to engage in fraud or corruption. All incidents of fraud and corruption have to be reported and will be assessed and as appropriate, investigated. Solidaridad will pursue rigorously disciplinary and other actions against perpetrators of fraud, including recovery of financial loss suffered by Solidaridad.

Our main risks

1. Reputational damage, for example resulting from partnerships with companies. Solidaridad has internal guidelines for non disclosure agreements (NDAs) and memoranda of understanding (MoUs) with companies.
2. Illegitimate use of grant funds, which requires repayment obligations to donors. The budget is approved by the Managing Director and the segregation of duties in the project management is appropriate. With large grants, the suitability of expenditure is investigated by an external auditor.
3. The economic climate and the willingness of private donors to donate. Solidaridad maintains quality marks and periodic external audits ensure compliance.
4. The unpredictability of government policies. Political decision-making – and available funding – are hard to predict, as are the political forces which affect partner companies. Solidaridad defines thematic areas and target policy makers with highest chance of success of the period to come.

Risk management and control systems

Solidaridad is committed to transparency and the effective deployment of resources. It monitors project progress and the use of funds with a project management system. Operations are audited internally and externally, and outcomes are discussed with the management and the Continental Supervisory Board. As a learning organization, Solidaridad strives for continuous improvement and quality management is certified to ISO 9001:2015. If something is not to somebody's satisfaction, Solidaridad would like to be informed about it. A complaints procedure is therefore part of our quality policy. The procedure can be requested for by anybody by email or phone. And besides, we also refer to it in our contracts with partners. The Solidaridad Code of Good Conduct and Practices is also endorsed by our Network partners. There is also a protocol for inappropriate behavior, which includes procedures preventing undesirable

behavior and procedures for involving internal or external counselors and the complaints procedure for employees. During 2018 Solidaridad set up policies throughout the network regarding Related Party Transactions and Ancillary Activities to increase its transparency. A whistleblower procedure has been in place as of 2017.

Continuity reserve

A reservation of resources is desirable for the continuity of the support given to the Solidaridad goals. Our continuity reserve is intended to cover short-term risks and to ensure that Solidaridad can continue to meet its moral and other obligations. Solidaridad bases itself on the concept of sustainable relationships with its partners and with its staff. The size of the continuity reserve is determined as a trade-off between the desirability of deploying as much as possible of our resources for our objectives and the need to maintain a healthy financial basis for the future. Solidaridad prefers a reservation of 1.0 times the annual costs of maintaining the operational structure. We are guided in this decision by the Guidelines Financial Management for Charity Organizations prepared by the Dutch Association of Fundraising Organizations (Goede Doelen Nederland). The Guidelines state that the continuity reserve should be no more than 1.5 times the annual costs of maintaining the operational structure. The internal risk management and control systems provide reasonable assurance that financial statements are correct and that these systems have worked properly during the year under review.

Our organization

Establishment and statutes Solidaridad the Netherlands

Solidaridad Foundation was founded on June 15, 1976 and is based in Utrecht, the Netherlands. In December 2017 Solidaridad formalized the new and updated statutes, in accordance with present circumstances and the statutes of Solidaridad Network and changing the name in Solidaridad the Netherlands.

Establishment and statutes Solidaridad Europe

At the end of December 2017 Solidaridad Europe was founded. No activities took place in Solidaridad Europe in 2018.

Quality management

Solidaridad aims to achieve high quality on all fronts. Solidaridad is certified under the ISO 9001:2015. The standard provides a quality management framework and ensures a philosophy of continual improvement. External auditors provide independent evaluations of the quality of each aspect of its operations. In addition Solidaridad is certified under the ISO PARTOS norm since 2015, an add-on to ISO 9001:2015. This quality standard has been specifically designed for civil society organizations in the Netherlands ensuring a philosophy of good governance, CSR, and transparency.

The Central Bureau on Fundraising (CBF) monitors all philanthropic bodies in the Netherlands and evaluates their management and policy, in order to increase the transparency of the charitable sector. Solidaridad is entitled to use the CBF quality mark and complies with its requirements.

The Dutch Association of Fundraising Organizations (Goede Doelen Nederland) is the umbrella organization for philanthropic organizations that raise funds across the Netherlands. Its goal is to increase public confidence in fundraising institutions. Solidaridad upholds the principles of the Goede Doelen Nederland in relation to respect, reliability, openness and quality.

Solidaridad is recognized by the Taxation Department as a charitable institution (ANBI), which means that donations and bequests to Solidaridad are not taxed. Donors can obtain income tax deductions for their contributions to Solidaridad.

External reporting includes an annual report and accounts, which are verified by an auditor and accompanied by an auditor's opinion. In 2015 the Continental Supervisory Board has appointed Dubois&Co Registeraccountants as its external auditor. This appointment, which is reviewed annually, covers the audit of the annual accounts as well as those for various projects. Dubois&Co Registeraccountants does not provide any non-auditing (e.g. advisory) services. The auditor discusses their findings with the Managing Director and financial controller and may also call the attention of the Continental Supervisory Board to any points that need to be addressed, or where improvements could be made.

Personnel

Solidaridad is an international network organization with a relatively new and culturally diverse staff. Our staff is the key factor for realizing the vision and strategy of Solidaridad. The HR strategy "Growth through Connection" reflects the common HR strategy at the network level. The implementation of HR policy and its related Performance Management and Talent Management takes place at the regional level. This requires the strengthening of senior capacity in order to realize the innovation agenda and to absorb the growth of the agenda. In 2018 a new job- and salary framework has been implemented.

Solidaridad wants to be a learning organization. Learning together also means creating a culture of cooperation, providing and receiving feedback and allowing each other to learn and improve. In the past year, we have invested in HR to help employees and managers within Solidaridad to prepare, conduct and record discussions about performance, personal growth and improvements. Each year employees are invited by their manager for an individual planning meeting, performance and appraisal evaluations. Every year, the Managing Director has a planning, performance and appraisal evaluation with the chair of the Supervisory Board.

At the end of 2018, Solidaridad Netherlands employed 48 people (2017: 46). During the year there was an average of 44.5 full-time staff under contract (FTEs). In 2017 this figure was 40.0. Solidaridad has its own salary structure, which is based on job descriptions. Per function the tasks and responsibilities have been described. The functions are weighed on the basis of the following four characteristics: knowledge and experience, independence, social skills and risks, responsibility and influence. Solidaridad's wages policy follows that of the Dutch government. The average gross annual salary per FTE in 2018 was € 62,800 (2017: € 62,600).

The goal of the diversity policy is that Solidaridad's staff should reflect the European population wherever possible. Solidaridad in the Netherlands has 34 female and 14 male employees at the end of 2018 (2017: 30 female and 16 male). The average age is 40 years. Ten employees left in 2018, and twelve new employees joined. The rate of absence due to sickness in 2018 was 4.4% (in 2017: 6.8%). The short absence (less than a week) was 0.9% (2017: 1.2%), medium absence was 0.4% (2017: 0.5%) and long absence (more than six weeks) was 3.2% (2017: 5.1%).

In 2019, extra attention will be invested in leadership development and diversity inclusiveness. This entails the setup of an Academy with (online) development programs that will focus on personal leadership, values, planning and organizing skills and intercultural communication. Furthermore, quality standards and work processes will be updated and further aligned with the global network organization.

Environment

Solidaridad minimizes the impact of its work on the environment as far as possible, by re-using materials wherever possible, by purchasing sustainable products (office supplies with an eco-label, energy-efficient equipment, green energy, solar panels, and sustainably produced coffee and tea), by separating its waste for recycling, and by making double-sided printing and copying the norm. In 2018 Solidaridad set up a policy regarding its GHG emissions, by mostly focussing on the emissions caused through (air)travel. This policy will be enrolled in 2019. The office in Utrecht was fully renovated in 2018, for the refurbishment used materials and furnitures were used.

Our finances

Analysis of the results for 2018 in comparison to 2017 and the budget for 2018

The total income in 2018 was € 30,752,408, an increase of € 7,706,216 compared to 2017. Income from subsidies increased by € 8,033,930 compared to 2017, and was € 4,798,852 higher than budgeted due to postponed spending in 2017 to 2018 and because of new grants signed in 2018. Income from other fundraising decreased by € 328,474 compared to last year, and was € 433,796 higher than budgeted.

The total expenditure in 2018 was € 30,375,220, which is € 7,314,993 higher than in 2017, and € 4,456,220 higher than budgeted, because of the postponed income and new grants. Of the total expenditure, € 29,453,655 was directly spent on our objectives. All these fluctuations led to a result of € 541,255 in the statement of income and expenditure in 2018, where 2017 has a result of € 223,262.

Historical summary

The table below shows the financial results for the past five years (in euros).

INCOME	2018	2017	2016	2015	2014
Fundraising	6,769,796	7,098,270	5,186,484	11,410,304	7,879,943
Subsidies	23,981,852	15,947,922	13,393,322	9,876,813	12,958,454
Other	759				
Total income	30,752,408	23,046,192	18,579,806	21,287,117	20,838,397
EXPENDITURE					
Communication and information	626,840	754,089	476,903	628,141	624,035
Structural aid	28,826,815	21,511,093	16,805,986	19,594,336	19,748,319
Total expenditure on objectives	29,453,655	22,265,182	17,282,889	20,222,477	20,372,354
Costs of income generation	735,549	621,423	490,064	830,710	688,571
Costs of management and administration	186,016	173,622	142,596	134,840	132,966
Total expenditure	30,375,220	23,060,227	17,915,549	21,188,027	21,193,891
Result excluding interest	377,187	-14,035	664,257	99,090	-355,494
Interest and income from investments	164,068	237,297	187,427	315,282	311,866
RESULT	541,255	223,262	851,684	414,372	-43,628

Policy on assets and investments

Solidaridad spends € 29.5 million on financing projects. These funds come from many different sources, including government contributions as well as donations from individuals, companies and institutions. Solidaridad has an asset buffer of € 6.5 million to cover any unexpected large fall in income. If funding is received and cannot immediately be usefully deployed in support of Solidaridad's objectives, since it takes time to prepare and implement projects, these funds are temporarily invested. Solidaridad's partners, suppliers and staff need to be sure that Solidaridad will always be able to meet its liabilities and donors and other funding bodies must be confident that the money they donate to Solidaridad is in safe hands. It is therefore extremely important that Solidaridad's assets are managed responsibly. Investment rules have been drawn up to ensure this is the case. These rules also stipulate that Solidaridad will comply with the Guidelines Financial Management for Charity Organizations prepared by the Dutch Association of Fundraising Organizations (Goede Doelen Nederland). In view of the limited volume and complexity of the portfolio, Solidaridad has decided to manage its assets internally to reduce costs. By far most of the asset buffer is invested in savings deposits with socially responsible banks, such as ASN Bank and Triodos Bank.

Key figures

The costs of the organization's income generation as a percentage of the total income – is a calculation method to evaluate whether a fundraising institution is worthy of support. This indicator shows the proportion of the proceeds from fundraising that are used to generate these funds. Solidaridad aims for a (reasonably) stable proportion between 3 and 4% unless it can be demonstrated that an investment in income generation will generate sufficient additional income in the future. The table below shows the income and income generation costs and the relevant percentages for the past five years.

	2018	2017	2016	2015	2014
Total income	30,752,408	23,046,192	18,579,806	21,287,117	20,838,397
Total costs of income generation	735,549	621,423	490,064	830,710	688,571
<i>Costs of income generation as a percentage of income</i>	2.4%	2.7%	2.6%	3.9%	3.3%

Solidaridad calculates three ratios related to spending: the ratio of spending on the organization's objectives to its total expenditure, the ratio of its spending on income generation to its total expenditure and the ratio of its spending on management and administration to its total expenditure. The tables below shows the amounts Solidaridad spent on its objectives, income generation and management and administration and the resulting spending ratios, for the past five years.

	2018	2017	2016	2015	2014
Total expenditure	30,375,220	23,060,227	17,915,549	21,188,027	21,193,891
Amount spent on objectives	29,453,655	22,265,182	17,282,889	20,222,477	20,372,354
<i>Spending ratio spent on objectives</i>	97.0%	96.5%	96.5%	95.5%	96.2%

Solidaridad strives to achieve the highest possible, but at least 95%, spending ratio on the organization's objectives without endangering the quality of implementation of the projects. The CBF has not set a minimum ratio, because this percentage depends to a great extent on the type of organization.

	2018	2017	2016	2015	2014
Total expenditure	30,375,220	23,060,227	17,915,549	21,188,027	21,193,891
Costs of income generation	735,549	621,423	490,064	830,710	688,571
<i>Spending ratio costs of income generation</i>	<i>2.4%</i>	<i>2.7%</i>	<i>2.7%</i>	<i>3.9%</i>	<i>3.2%</i>

Solidaridad aims for a (reasonably) stable proportion between 3 and 4% unless it can be demonstrated that an investment in income generation will generate sufficient additional income in the future.

	2018	2017	2016	2015	2014
Total expenditure	30,375,220	23,060,227	17,915,549	21,188,027	21,193,891
Management and administration	186,016	173,622	142,596	134,840	132,966
<i>Spending ratio management and administration</i>	<i>0.6%</i>	<i>0.8%</i>	<i>0.8%</i>	<i>0.6%</i>	<i>0.6%</i>

Solidaridad strives to achieve the lowest possible, with a maximum between 1 and 2%, percentage of management and administrative costs without endangering the quality of its operations.

Abbreviations

CBF – Central Bureau on Fundraising
CSB – Continental Supervisory Board
CSR – Corporate Social Responsibility
EBoD – Executive Board of Directors
ISB – International Supervisory Board
MASP – Multi Annual Strategic Plan
REC – Regional Expertise Centers

Signing

The Managing Director composed this Annual Financial Report by signing it on 21 March 2019.

Signed on original by: Heske Verburg

REPORT OF THE SUPERVISORY BOARD OF SOLIDARIDAD EUROPE

The Solidaridad Network aims to be an effective, influential and innovative learning organization with a reputation as one of the best organizations engaged in international development cooperation. This requires a wide range of checks and balances. In recent years, a fully operational supervisory structure for the network has been put in place. Our structure is intended to ensure that Solidaridad Network is a credible organization that has a transparent, responsible, cost-effective system of supervision, and that affirms Solidaridad's vision, programme and working methods. It is based on the following fundamental principles: promoting solidarity by means of global strategies for commodities; ensuring a high degree of autonomy for the regional expertise centers; maintaining a professional approach that maximises the impact of Solidaridad programmes; and a shared vision and mission.

Supervision

Solidaridad's governance structure is based on the continental European governance model. This means, amongst others, a board with a two-tier structure, emphasis on dialogue with stakeholders and focus on achieving consensus. This governance model follows the subsidiarity principle. It aims to ensure that decisions are made as closely as possible to the deepest levels in the organization and that constant checks are made to verify that actions across the Solidaridad Network are justified in light of the possibilities available at the continental, regional or national level.

Our Continental Supervisory Board (CSB) oversees the general affairs of Solidaridad in the Netherlands (as well as Europe wide). The CSB consists of a minimum of three and a maximum of seven members. The CSB will itself decide on the number of its members. The members of the CSB will appoint one member to be chairperson, or appoint an independent third party as chairperson. Members of the CSB are appointed for a period of four years and can only be reappointed once. If a member has fulfilled the position of chairperson of a CSB during a period of tenure, this member can be reappointed twice. In 2018, our CSB consists of seven people who support Solidaridad's mission and who meet the requirements of the job profile drawn up by the board. One of the standing committees of Solidaridad is a financial audit committee, which is specifically responsible for overseeing the financial affairs of Solidaridad in the Netherlands (as well as Europe wide).

The CSB met four times in 2018. The most important topics discussed were:

- Strategy: evaluating the meetings of the Executive Board of Directors in April and October, the ISB meeting in June and approval of the (European) Annual Plan 2019.
- Finance: approval of the annual financial report for 2017, discussing interim figures for 2018 and approval of the budget for 2019. Budget approval for Germany. Approving procedures regarding Third party related transactions and ancillary activities.
- Management: approval of GDPR procedure, recruiting new CSB members, 50 year anniversary in 2019 alongside with ED change, discussions on impact investment.
- Evaluation: Annual report 2017, Advocacy for Change and Practice for Change, new policy framework of Minister Kaag.

In February the audit committee (Theo Jan Simons (chair) and Carlos Alva Nieto) advised the CSB on the annual financial accounts for 2017 and the privacy regulations. In December the audit committee (Theo Jan Simons (chair), Carlos Alva Nieto and Claire Gentil) advised the CSB on the budget for 2018.

To guarantee a separation of functions and to prevent conflicts of interest, no close relationships are permitted between the members of the CSB as well as between members of the supervisory boards and the management, nor any links between such members and an organization with which Solidaridad, in the normal course of its work, conducts transactions that can be valued in monetary terms.

The members of the CSB with their education and academic titles, term and positions held in 2018 are listed in the following table.

Name	Function	End of term	Education and positions
Ton Geurts	Member	December 2018	<ul style="list-style-type: none"> - Master of (Dutch) Law - Chief Procurement Officer /Senior Vice President Supply Chain Excellence NV Bekaert SA - Senior Executive in Residence Vlerick Business School Ghent, Belgium - Member of Continental Supervisory Board of Solidaridad Europe
Gerrit Meester	Chair (until September 20th)	December 2018	<ul style="list-style-type: none"> - Doctor of Agricultural Economics - Retired Agricultural Policy Advisor, Ministry of Agriculture, Nature and Food Quality - Member of the Committee on Genetic Modification - Member of the Board, Center for World Food Studies (SOW-VU) until the discontinuation of the Center - Member of International Supervisory Board of Solidaridad Network until January 2019 - Chair of Continental Supervisory Board of Solidaridad Europe until 20 September 2018 - Member of Continental Supervisory Board of Solidaridad Europe from 20 September 2018 until January 2019
Theo Jan Simons	Member	December 2018	<ul style="list-style-type: none"> - MSc in Chemical Engineering - Partner McKinsey - Member of Continental Supervisory Board of Solidaridad Europe
Carlos Alva Nieto	Member	December 2019	<ul style="list-style-type: none"> - MSc Supply Chain and Operations - MSc Chemical Engineering - Global Business Manager, AkzoNobel - Member of Continental Supervisory Board of Solidaridad Europe
Jan Karel Mak	Chair (from September 20th)	December 2020	<ul style="list-style-type: none"> - MSc Environmental Sciences - Chief Executive Officer Deerns Groep B.V. - Chair University Fund Wageningen - Member of Continental Supervisory Board of Solidaridad Europe until 20 September 2018 - Chair of Continental Supervisory Board of Solidaridad Europe from 20 September 2018

Katrien Termeer	Member	December 2020	<ul style="list-style-type: none"> - MSc Land Use Management, Wageningen University - PhD Public Administration, Erasmus University - Professor of Public Administration and Policy, Wageningen University - Member advisory council public administration and advisory council animal affairs Dutch Government - Member of Continental Supervisory Board of Solidaridad Europe
Claire Gentil	Member	June 2021	<ul style="list-style-type: none"> - MSc Pure Mathematics (France) - MSc Mathematical Logic (Netherlands) - Chief Risk Officer, Region Netherlands & Africa (Wholesale banking), Rabobank - Member of Continental Supervisory Board of Solidaridad Europe

In December 2017 Harriet Lamb joined the CSB as an observer, her role as CSB member will be formalized as of January 1st, 2019.

Within Solidaridad Network, the International Supervisory Board (ISB) is the highest level of international oversight. The ISB monitors policies, the quality of programmes, financial control of the Solidaridad Network and the performance of the Executive Board of Directors (EBoD). Direct supervision of the regional expertise centers (RECs) is organized by continent. Each Continental Supervisory Board (CSB) is represented in the ISB thus enabling the ISB to focus on the interest of Solidaridad Network as a whole, instead of focusing on individual RECs. The ISB met twice in 2018. The five members of the ISB are:

Name	Function in the board	Appointed per	Representing
Mariam Dao Gabala	Chair	22 June 2015 as chairperson, a member of the ISB since 18 December 2014	CSB Africa
Roxana Barrantes	Member	1 January 2018	CSB Latin America
Shahamin Sahadat Zaman	Member	19 December 2016	CSB Asia
Kannan Pashupathy	Member	5 June 2014	CSB North America
Jan Karel Mak	Member	10 December 2018	CSB Netherlands

Management

Solidaridad in the Netherlands is managed by a statutory director, the Managing Director. H.F. (Heske) Verburg has been appointed as Managing Director per January 1, 2017 by the International Supervisory Board. The statutory director has the final responsibility for daily management and implementation of the programmes and activities. Heske Verburg has been employed by Solidaridad from October 1, 2016.

From the start of Foundation Solidaridad Europe at 14 December 2017, Heske Verburg is appointed as Managing Director. Heske Verburg is one of the two board members of Solidaridad Germany and one of the three board members of Foundation Seafood Trade Intelligence Portal (STIP).

Remuneration

In accordance with Solidaridad's statutes, the members of the Supervisory Boards of Solidaridad receive no remuneration of any kind.

For the management the CSB annually updates policy on salaries. The Guidelines for the Remuneration of Directors in Philanthropic Organisations (Adviesregeling Beloning Directeuren van Goede Doelen) are taken as guidelines in the evaluation. The latter proposes a maximum norm for annual incomes, based on certain criteria. The CSB concluded that the Director's position has a Basic Score for management positions (BSD) score of 440 points, for which the full-time maximum annual income is € 114,247. Heske Verburg her actual income for 2018 was € 98,950.

The Continental Supervisory Board approved this Annual Financial Report by signing it on 25 March 2019.

Signed on original by:

Jan Karel Mak (chair)

Carlos Alva Nieto

Katrien Termeer

Claire Gentil

Harriet Lamb

BALANCE SHEET ON 31 DECEMBER 2018

(in euro's after allocation of surpluses)

ASSETS	2018	2017
Tangible fixed assets	121,456	31,201
Financial fixed assets	460,250	460,250
	581,706	491,451
Receivables, prepayments and accrued income	1,865,838	1,751,098
Stocks and shares	98	98
Cash and bank balances	20,618,906	21,207,871
	22,484,842	22,959,067
Total assets	23,066,548	23,450,518
LIABILITIES		
Reserves and funds		
Reserves		
· Continuity reserve	6,515,353	6,254,743
· Reserve for financing operational assets	121,456	31,201
· Reserve for financing assets to meet our objectives	460,250	460,250
· Reserve for financing innovations	250,000	-
	7,347,059	6,746,194
Designated funds		
· Designated fund for Haiti	-	59,611
	7,347,059	6,805,805
Long-term debts	-	-
Short-term debts	15,719,489	16,644,713
Total liabilities	23,066,548	23,450,518

STATEMENT OF INCOME AND EXPENDITURE FOR 2018

(in euro's)

INCOME	Actual 2018	Budget 2018	Actual 2017
Income from individuals	1,133,474	1,100,000	1,087,584
Income from companies	1,255,523	885,000	1,258,256
Income from Dutch Postcode Lottery	1,361,760	1,350,000	1,445,137
Income from government subsidies	23,981,852	19,183,000	15,947,922
Income from related organizations	133,527	-	187,396
Income from other non profit organizations	2,885,512	3,001,000	3,119,897
	30,751,648	25,519,000	23,046,192
Other income	759	-	-
Total income	30,752,407	25,519,000	23,046,192
EXPENDITURE			
Expenditure on achieving our objectives			
Communication and information	626,840	753,000	754,089
Structural aid	28,826,815	24,082,000	21,511,093
	29,453,655	24,835,000	22,265,182
Costs of income generation	735,549	895,000	621,423
Costs of management and administration	186,016	189,000	173,622
Total expenditure	30,375,221	25,919,000	23,060,227
Result excluding interest	377,186	-400,000	-14,035
Interest and income from investments	164,068	150,000	237,297
RESULT	541,254	-250,000	223,262
Allocation of surpluses			
Continuity reserve	260,610	-250,000	795,178
Reserves for financing operational assets	90,255	-	4,537
Reserves for financing assets to meet our objectives	-	-	-
Reserves for financing innovations	250,000	-	-
Designated fund for Haiti	-59,611	-	-576,453
Result	541,254	-250,000	223,262

CASH FLOW STATEMENT FOR 2018

(in euro's)

	2018	2017
Cash flow from operational activities		
Surplus from the statement of income and expenditure	541,254	223,262
Depreciation	24,520	15,714
Changes in working capital:		
· Short-term receivables	-114,740	2,103,590
· Short-term debts	-925,224	9,231,739
	-474,190	11,574,305
Cash flow from investment activities		
(Des) investments in tangible fixed assets	-114,775	-20,251
Changes in financial fixed assets	-	-
Changes in stocks and shares	-	-
	-114,775	-20,251
Cash flow from financing activities		
Changes in long-term debts	-	-
Changes in cash and bank balances	-588,965	11,554,054
Cash and bank balances		
Balance on 1 January	21,207,871	9,653,817
Balance on 31 December	20,618,906	21,207,871
Changes in cash and bank balances	-588,965	11,554,054

The cash flow statement has been drawn up using the indirect method. The cash and bank balances at the end of 2018 were € 588,965 lower than at the end of 2017.

GENERAL NOTES TO THE ACCOUNTS

Guidelines for annual reporting

The annual accounts have been drawn up in accordance with the Guideline for Fundraising Institutions (Richtlijn Fondsenwervende instellingen: RJ 650), which is part of the accounting standards produced by the Dutch Accounting Standards Board (Raad voor de Jaarverslaggeving). As of the year 2017 Solidaridad reports based on the new RJ 650. As from 2017 the contribution from the Dutch Postcode Lottery will be valued no longer in the year of ascertainment and payment but in the year of origin.

Foreign currencies

Assets and liabilities in foreign currency have been converted at the exchange rates on the balance sheet date. Items in the statement of income and expenditure have been converted to euros using the exchange rate at the time of the transaction.

ACCOUNTING PRINCIPLES OF VALUATION AND DETERMINATION OF THE RESULT

Tangible fixed assets

The operating assets are valued at purchase price minus annual straight-line depreciation based on the expected useful economic life. Purchases made in the reporting year are depreciated from the date of purchase.

Financial fixed assets

Advance payments and loans are valued at their nominal value, taking into account any risk that they may not be collectible. Participations that do not enable Solidaridad to exercise a significant influence on commercial and financial policies are valued at purchase price after deducting exceptional depreciations where applicable.

Receivables

After initial recognition the receivables are measured at amortised costs on the basis of the effective interest method. Gains and losses are recognised in the income statement through the amortisation process. Receivables are valued taking into account any risk that they may not be collectable.

Stocks and shares

Investments listed on the stock exchange and other investments are valued at their market value. Realized and unrealized price gains and losses are entered into the statement of income and expenditure.

Other assets and liabilities

All other items in the balance sheet are, after initial recognition, measured at amortised costs on the basis of the effective interest method. Gains and losses are recognised in the income statement through the amortisation process.

Income and expenditure

Income is accounted for in the year to which it relates. Expenditure is determined with due regard to the accounting policies for valuation as described above and is allocated to the accounting year to which it relates. Losses are accounted for in the year in which they can be anticipated. Income from inheritances is accounted for in the first year in which the size of the inheritance can be reliably established.

Taxation

The annual accounts have been prepared under the assumption that the activities of Solidaridad are exempt from corporate income tax.

SPECIFIC NOTES TO THE ACCOUNTS

ASSETS

Tangible fixed assets

A summary of the movements in tangible fixed assets is given below:

	Furniture	Computers	Total
At 1 January 2018			
Cost	70,831	78,829	149,660
Depreciation	62,030	56,429	118,459
Book value at 1 January 2018	8,801	22,400	31,201
Changes in book value			
Additions	85,253	29,522	114,775
Disposal (costs)	-46,422	-15,067	-61,489
Disposal (depreciation)	46,422	15,067	61,489
Depreciation	-8,556	-15,964	-24,520
Movement	76,697	13,558	90,255
At 31 December 2018			
Cost	109,662	93,284	202,946
Depreciation	24,164	57,326	81,490
Book value at 31 December 2018	85,498	35,958	121,456

The tangible fixed assets have been retained for our operations. The expected useful economic life for furniture is five year, there for the depreciation is 20% per year. For computers the depreciation is 33⅓% per year (expected useful life of three years).

Financial fixed assets

	2018	2017
Loan to Seafood Trade Intelligence Portal (STIP)	-	-
Participation AgroFair Europe B.V.	460,250	460,250
	460,250	460,250

The financial fixed assets have been retained for meeting our objectives.

Investment in AgroFair Europe B.V., the Netherlands

AgroFair is a market leader in ecologically sustainable products. AgroFair supplies their customers with responsible products. The producers apply fair, responsible, social, environmental and economic standards. The AgroFair approach will be an inspiration to other companies in the industry so that producers, plantation workers and their families can enjoy better livelihoods and produce in harmony with the surrounding ecosystems.

In 2018, as in 2017, our interest is 8.75% of the issued share capital. The valuation of the investment is based on the acquisition price. There have been no changes in 2018. For the total value of the investment, a reserved fund has been set up, because the funds are not to be spent freely by Solidaridad.

Seafood Trade Intelligence Portal (STIP)

The mission of the Seafood Trade Intelligence Portal (STIP) is to enable companies to create a more sustainable seafood industry. STIP believes sustainable seafood starts with transparency: in many sourcing countries, seafood supply chains are characterised by comparatively small companies, which tend to operate in relative anonymity. As a consequence, it is difficult for ambitious companies to find matching business partners and jointly develop roadmaps leading to less complex and better-organised chains. The STIP's products and services shed light on what happens in supply chains and enable companies to find business partners that can meet their quality and sustainability requirements. The Managing Director of Solidaridad the Netherlands, Heske Verburg, is one of the three board members of Foundation Seafood Trade Intelligence Portal (STIP).

In 2016 Solidaridad granted STIP loans (free of interest) of € 233,927 in total. Because repayment is uncertain, the valuation is at nil.

Receivables

	2018	2017
Contribution Dutch Postcode Lottery	1,350,000	1,350,000
Final payment of grants and subsidies	324,351	242,674
Interest	66,480	73,448
Prepaid expenses	113,549	74,652
Other receivables	11,458	10,324
	1,865,838	1,751,098

The receivables have mostly been retained for meeting our objectives. All receivables are due within one year.

Stocks and shares

The participations have been retained for meeting our objectives. However most of the Oikocredit participations have been sold during 2014. The remaining participations of Oikocredit are valued at market value on July 1, 2018, because the data for the end of 2018 were not yet available when preparing these financial statements.

Cash and bank balances

	2018	2017
Cash	249	120
Bank accounts	7,704,779	7,982,704
Savings accounts	8,413,878	8,725,047
Deposits	4,500,000	4,500,000
	20,618,906	21,207,871

The bank balances have mostly been retained for meeting our objectives. For an amount of € 42,300, a bank guarantee has been given in favour of the lease of the office building and therefore this amount can not be freely available. All other checking and savings accounts are freely at Solidaridad's disposal. The breakdown of the various deposits is as follows:

Bank	Amount	Term	Enddate	Interest rate
ASN Bank	€ 250,000	Ten years	22-06-2020	3.75%
Triodos Bank #1	€ 1,000,000	Ten years	14-04-2022	4%
Triodos Bank #2	€ 500,000	Ten years	01-05-2022	3.5%
Triodos Bank #3	€ 500,000	Nine years	01-05-2021	3.4%
Triodos Bank #4	€ 500,000	Seven years	01-05-2019	3.0%
Triodos Bank #5	€ 500,000	Six years	18-12-2023	0.45%
Triodos Bank #6	€ 500,000	Seven years	18-12-2024	0.6%
Triodos Bank #7	€ 500,000	Eight years	18-12-2025	0.7%
Triodos Bank #8	€ 250,000	Eight years	18-12-2026	0.9%

LIABILITIES

Reserves

By designating funds as reserves, the Continental Supervisory Board indicates how they intend to employ the resources available to them. Solidaridad has designated a continuity reserve, a reserve for financing operational assets and a reserve for financing assets to meet our objectives.

Continuity reserve

The movement in the continuity reserve can be specified as follows:

	2018	2017
At 1 January	6,254,743	5,459,565
Appropriation of the result	260,610	795,178
At 31 December	6,515,353	6,254,743

As from 2017 according to RJ 650, the contribution from the Dutch Postcode Lottery will be valued no longer in the year of ascertainment and payment but in the year of origin.

The continuity reserve is intended to cover short-term risks and to ensure that Solidaridad can continue to meet its moral and other obligations. Solidaridad bases itself on the concept of sustainable relationships with its partners and with its staff. The size of the continuity reserve is determined as a trade-off between the desirability of deploying as much as possible of our resources for our objectives and the need to maintain a healthy financial basis for the future. We are guided in this decision by the Guidelines Financial Management for Charity Organizations prepared by the Dutch Association of Fundraising Organizations (Goede Doelen Nederland). Solidaridad is convinced a reservation of resources is desirable for the continuity of the support given to the charity's goals, and endeavours a continuity reserve of at least 1.0 where the Guidelines maximum is 1.5 times the annual costs of maintaining the operational structure.

For 2019 the budgeted costs for the operational structure are € 5,153,000 and at the end of 2018 the continuity reserve amounted to € 6,515,353, i.e. 1.3 times the annual costs of maintaining the operational structure. The increase in the ratio is mostly due to a revision of the Guideline for Fundraising Institutions (Richtlijn Fondsenwervende Instellingen: RJ 650) which is part of the accounting standards produced by the Dutch Accounting Standards Board (Raad voor de Jaarverslaggeving), the continuity reserve over 2016 was retrospectively corrected in the annual statements of 2017 by € 1,350,000 due to a receivable of the Dutch Postcode Lotteries.

In 2018 the ratio consists of 1.4 times the annual costs of maintaining the operational structure.

Reserve for financing operational assets

The reserve for financing operational assets is kept for the funds used to the benefit of the tangible operational assets and is valued against the book value of these assets. The movement in the reserve for financing operational assets is as follows:

	2018	2017
At 1 January	31,201	26,664
Appropriation of the result	90,255	4,537
At 31 December	121,456	31,201

Reserve for financing assets to meet our objectives

The reserve for financing assets to meet our objectives is kept for the means used for the benefit of the financial fixed assets for the objectives and is valued at the book value of these assets.

The movement in the reserve for financing assets to meet our objectives is as follows:

	2018	2017
At 1 January	460,250	460,250
Appropriation of the result	-	-
At 31 December	460,250	460,250

Reserve for financing innovations

The reserve for financing innovations is for the means to invest in innovative themes of Solidaridad. The innovation themes are: gender, impact investment, digital solutions and landscape and climate innovations.

The movement in the reserve for financing innovations is as follows:

	2018	2017
At 1 January	-	-
Appropriation of the result	250,000	-
At 31 December	250,000	-

Designated funds

Compared to the reserves, funds differ in the sense that not Solidaridad's Continental Supervisory Board, but a third party designates the funds. Within Solidaridad, that applies to the designated fund for Haiti.

Designated fund for Haiti

The designated fund for Haiti has been created by a donation from COHAN Foundation in December 2008. The allocation of these funds is limited to spending within the framework of sustainable economic development in Haiti. The designated fund may be phased out within 10 years. In 2016 Solidaridad developed the programme 'Haiti smallholder sugar cane productivity'. The Haitian sugar cane industry was once an important contributor to the national economy, but over the past 30 years, production has fallen far below domestic demand for sugar and its by-products. This has led to a cycle of falling farm incomes from cane and falling production for cane processors. A co-funder was found for the agreed period of 2017-2018.

In 2018 the programme received the last remaining payment. The movements in the designated fund Haiti is as follows:

	2018	2017
At 1 January	59,611	636,064
Appropriation of the result		
Project expenses Haiti	-54,000	-530,000
Administration fee	-5,611	-53,000
Received interest	-	6,547
Total movement	-59,611	-576,453
At 31 December	-	59,611

Short-term debts

	2018	2017
Final payments project partners	444,651	586,879
Accrued expenses	89,179	157,995
Accrued personnel expenses	272,154	278,896
Grants received for coming years	14,611,081	15,333,548
Creditors	100,758	89,711
Social securities	48,060	42,570
Wage tax	153,606	155,114
	15,719,489	16,644,713

Contingent liabilities and conditional rights

Rent contract

The office building on 't Goylaan 15 in Utrecht is rented as from April 2007. In 2018 the agreement has been extended by 9,5 years until May 2028. The rent costs are indexed annually based on the consumer price index. The annual rent obligation is approximately € 169,000. The bank guarantee issued in respect of this rent is € 42,300.

Lease contracts

The 2014 lease contract includes two multifunctional printer-copiers and one printer. The contract has a remaining duration of 12 months at the end of 2018. The annual obligation resulting from this is in total approximately € 22,400.

Project Partners

Solidaridad has the following contingent, not legally commendable, commitments to project partners for support in the coming years. All mentioned commitments are financed by agreed donor grants for the coming years.

	2018	2017
Agreed projects next year	1,262,831	145,199
Agreed projects after next year	1,455,082	105,119
	<u>2,717,913</u>	<u>250,318</u>

Solidaridad Network

Solidaridad the Netherlands has the following contingent, not legally commendable, commitments to other Solidaridad offices within the Network for support in the coming years. All mentioned commitments are financed by agreed donor grants for the coming years.

	2018	2017
Agreed projects next year	10,682,780	13,625,970
Agreed projects after next year	7,089,357	11,595,125
	<u>17,772,137</u>	<u>25,221,095</u>

Inheritances

Solidaridad has (as in 2017) two ongoing inheritances including usufruct, where the valuation is not yet reliable enough to value in the statement of income and expenditure.

INCOME

Income from individuals

	Actual 2018	Budget 2018	Actual 2017
Direct mail	805,256	1,000,000	825,396
Inheritances	328,218	100,000	262,188
	<u>1,133,474</u>	<u>1,100,000</u>	<u>1,087,584</u>

Income from individuals

The goal of our fundraising is to obtain financial resources for Solidaridad's work, in an efficient way, from a group of private donors in the Netherlands. Integrated multi-media PR campaigns, intended not only for fundraising but also for market development and public education, produce the best results. They contribute to awareness among donors, the business community and consumers regarding the origin of our products and how they are produced, and they publicize the work Solidaridad does with its partners.

Direct Mail

Sending a letter with a payment slip is still the most efficient way for Solidaridad to obtain donations. More donors are now using online banking to contribute, but the payment slip is still important to remind them of the urgency of their donation. In 2018, like many development organizations Solidaridad has struggled to keep her income from private donors at the same level due to an ageing donor base. In 2018, Solidaridad sent out six direct mails (2017: nine). One direct mail was focused on prospects and five of them were focused on regular individual donors.

Inheritances

Solidaridad receives regular inheritances and bequests, which (partly) consist of houses and/or investments. In 2018, substantially more inheritances were received than budgeted and than in 2017.

Income from companies

These are donations from companies that support the development of sustainable chains of production. Many companies contribute to Solidaridad projects by donating via their affiliates foundations. These amounts are listed in the category 'other non profit organizations'. The income from companies in 2018 was higher than budgeted but slightly lower than in 2017.

The breakdown is as follows:

	Actual 2018	Budget 2018	Actual 2017
Henkel	680,935	555,000	900,000
ASN	155,663	-	13,673
BASF	128,900	110,000	120,000
Syngenta	120,911	-	32,783
Others (less than €100,000)	169,114	220,000	191,800
	1,255,523	885,000	1,258,256

The donations of the companies mentioned relate to funding to different projects.

Income from Dutch Postcode Lottery

The breakdown is as follows:

	Actual 2018	Budget 2018	Actual 2017
Yearly contribution	1,350,000	1,350,000	1,350,000
Programmes	11,760	-	95,137
	1,361,760	1,350,000	1,445,137

Yearly contribution

Since 2009, the Dutch I Postcode Lottery has made an important contribution to Solidaridad's work every year. The Dutch Postcode Lottery also mentions Solidaridad's projects in its television programmes and in national newspapers. In 2018, as well as in 2017, Solidaridad has been granted and received € 1,350,000. The contract with the Dutch Postcode Lottery was renewed in 2018 for another five years.

Programmes

During 2015 the Dutch Postcode Lottery made an extra donation of € 3.0 million from its lottery income, enabling Solidaridad to expand its support for sugar cane growers, a three-year programme.

Income from government subsidies

Government subsidies include all the project grants from various government agencies.

The agreements with the Ministry of Foreign Affairs has been made in relation to:

1. 'Strategic Partnerships for Lobby and Advocacy (AfC)'. The total amount agreed is € 32,000,000 for the period 2016-2020.
2. 'Practice for Change' (PfC). The total amount agreed is € 44,500,000 for the period July 2016 till December 2020. Additionally an amount of 12,875,000 was granted for "National Initiatives for Sustainable and Climate Smart Oil Palm Smallholders (NI-SCOPS) in Asia and Africa", for the period of 2018-2023.
3. The grant of the Ministry of Foreign Affairs awarded from the Funding Leadership Opportunities for Women (FLOW II) framework to Simavi. Together with Simavi and Healthy Entrepreneurs, Solidaridad executes the 'Going for Gold' Programme. The total amount agreed for Solidaridad is € 2,996,993 for the period 2016-2020.

The agreement with Sustainable Trade Initiative (IDH) has been made in relation to the 'Sustainability Initiative Fruit and Vegetables'. The total amount agreed is € 480,000 for the period 2014-2018. The final payments will be processed in 2019.

Solidaridad has different agreements with Netherlands Enterprise Agency. One has been made in relation to the 'Increasing water use efficiency in sugarcane growing in India'. The total amount agreed is € 2,414,387 for the period 2015-2019. The second has been made in relation to the 'Food security through improved resilience of small scale farmers'. The total amount agreed is € 4,400,000 for the period 2013-2020.

With the Ministry of Economic Affairs an amount was agreed of € 152,557 for the period 2017-2018 regarding 'Cocoa and Biodiversity in the Brazilian Amazon'. The final payments will be processed in 2019.

Solidaridad has two contracts with the European Union. One agreement relates to 'Reaching the unreached estates and surrounding communities on equitable water, sanitation, and hygiene (WASH) for improved health and nutrition' in Sri Lanka. The total amount agreed is € 5,619,616 for the period 2017-2021. The second agreement relates to the Green Tanning Initiative: 'Promoting technologies that reduce the environmental impact of leather processing and creating sustainable employment in the industry in Ethiopia' for a total amount of € 1,166,722 in the period of 2018-2020.

The agreement with the World Bank has been made in relation to the 'Feasibility study for Climate Smart Livelihoods through improved Livestock systems in Oromia' in Ethiopia. The total amount agreed is USD 150,000 for the period 2017-2018.

Within 'Others' is the agreement with the Ministry of Foreign Affairs via UNICEF. This agreement relates to the 'IMVO Garment and Textile Covenant' and the total amount agreed is € 80,191 for the period 2017-2018. The agreement was renewed for the period of 2018-2019 for a total amount of € 78,400.

The breakdown can be specified as follows:

	Actual 2018	Budget 2018	Actual 2017
Ministry of Foreign Affairs (AfC)	8,150,196	6,925,000	6,149,914
Ministry of Foreign Affairs (PfC)	13,505,242	10,168,000	6,706,815
Ministry of Foreign Affairs via Simavi (FLOW)	543,402	547,000	658,719
NORAD	52,593	-	-
Sustainable Trade Initiative (IDH)	198,887	-	39,712
Netherlands Enterprise Agency	982,142	494,000	1,123,921
Ministry of Economic Affairs	22,557	-	145,362
European Union	470,303	1,026,000	926,200
World Bank	4,648	-	127,923
Others	51,882	23,000	69,356
	23,981,852	19,183,000	15,947,922

Income from subsidies increased by € 8,033,930 compared to 2017, and was € 4,798,852 higher than budgeted due to postponed spending to 2018 and new contracts in 2018.

Income from related organizations

Solidaridad in the Netherlands receives contributions from other Solidaridad offices worldwide to achieve joint goals. The priorities are market development and market linkage. The breakdown is as follows:

	Actual 2018	Budget 2018	Actual 2017
Network Secretariat	20,000	-	-
West Africa	77,769	-	1,205
Asia	25,552	-	89,441
East and Central Africa	10,206	-	48,000
South America	-	-	48,750
South Africa	-	-	-
	133,527	-	187,396

Income from other non profit organizations

	Actual 2018	Budget 2018	Actual 2017
Churches	65,478	-	52,832
Grants from organizations	2,820,034	3,001,000	3,067,065
	2,885,512	3,001,000	3,119,897

Churches

Since 2010 the income of the offertory schedules in churches is slowly declining, however an increase is shown in the income for 2018.

Grants from organizations

These are donations from organizations that support the development of sustainable chains of production. Many companies contribute to Solidaridad projects by donating via their affiliated foundations to Solidaridad. These amounts should be read in relation with the category 'income from companies'. In 2018, less donations were received from organizations than in 2017. In 2015 Solidaridad was granted a USD 15 million grant for 2015-2020, of which € 2.6 million were spent in previous years and € 2.3 million in 2018.

EXPENDITURE

Expenditure on achieving our objective: communication and information

Solidaridad conducts campaigns and communicates in a wider sense about sustainable economic development, in order to stimulate companies to act, to influence the public agenda and to win support from private donors.

	Actual 2018	Budget 2018	Actual 2017
PR and market development	122,385	200,000	109,972
Campaigns	216,642	285,000	404,703
Costs own activities	339,027	485,000	514,675
Operating costs	287,813	268,000	239,414
	626,840	753,000	754,089

For 2017 and 2018 Solidaridad was granted a specific subsidy for campaigns.

Expenditure on achieving our objective: structural aid

Solidaridad works to create sustainable supply chains from the producers to consumers. We do so in thirteen commodities: cotton, textiles, gold, cocoa, tea, coffee, fruits & vegetables, sugar, soy, palm oil, livestock, dairy and aquaculture.

Cotton

In recent years, alongside increasing consumer awareness and commitments made by industry, the production and consumption of sustainable options like organic cotton have become more common. Despite these welcome advances, social and environmental issues still prevent cotton from being fully sustainable.

Textiles

Factories that collapse on workers in Bangladesh, emissions of untreated waste water from dyeing, use of hazardous chemicals, and inequality in the supply chain are the prices paid for satisfying our growing demand for clothing. At present, these consequences fall on the people that work in and live near the mills and factories that produce our clothes.

Livestock

Billions of people across the world consume livestock products. Demand for meat, dairy and leather in developing countries will double over the coming decades. This offers millions of farmers an income and many more a nutritious diet.

Tea

Tea has been cultivated for thousands of years, reaching all corners of the world. It transcends borders because it requires global trade and yet each local cultivates its own flavour and drinking customs. Tea truly has the power to bring people together, and has the power to sustain the lives of those involved in its production for thousands of years to come.

Sugar

If produced sustainably, sugarcane is the crop of the future, poised to improve the lives of millions globally.

Fruit and vegetables

Fruit and vegetables are an important part of a balanced diet, delivering nutrients to our bodies that can reduce the risk for cancers, obesity, and heart attacks. Yet the production of these foods is often anything but balanced and many people do not have access to these healthy products.

Gold

Gold symbolizes prosperity, reward, love, commitment and so much more, but shouldn't it also shine brightly in the lives of the Peruvian miner digging deep underground, or the mother from Ghana who supports three children by working in a gold mine? These are the lives gold touches every day.

Soy

Soy is fundamental to both the human and animal food supply. In fact most soy goes on to feed livestock. As the fastest-growing agricultural material, soy fuels expansion that encroaches on the environment, workers, and surrounding communities. This small bean has a big impact, affecting millions of lives globally.

Cocoa

Cocoa is one of the world's most savoured products, mainly in the form of chocolate. Chocolate is something we all love – we reach for it in times of celebration and joy, stress and sadness, and just to sweeten our day. This simple pleasure, though, has complex and harsh consequences for those who produce cocoa.

Palm oil

Palm oil and palm-derived products are everywhere. Why? Because it's the world's least expensive vegetable oil. In addition to that, it is incredibly versatile in its applications. However, the reach of palm oil extends far beyond products and uses, which have consequences for the humans and lands that produce this oil. This is why sustainable production is capable of transforming industries and lives all over the globe.

Aquaculture

Aquaculture is the fastest growing food production sector in the world. Global production of farmed fish and shellfish has more than doubled over the past 15 years. Meanwhile, per-capita consumption of fish is 17 kg per year, nearly half of which comes from aquaculture, a sector which employs around 12 million people worldwide.

Dairy

Dairy consumption is increasing globally, and this presents an opportunity for farmers in developing countries. Small-scale dairy farmers need to produce high-quality dairy if they are to realize their full potential in this growing, formalized market.

Coffee

Most of us start our day with coffee. But few are aware of how it gets to our breakfast table and who gets most of the money we pay for it. Nor can we be confident about the future supply of our beloved caffeinated beverages, which fuels so many of us from countless cultures.

Solidaridad in Europe

Solidaridad is an international network organization with 8 regional offices on 5 continents. The breakdown of projects costs in Europe (via Solidaridad the Netherlands) is as follows:

	Actual 2018	Actual 2017
Projects via Solidaridad regional expertises centres	21,019,163	16,364,450
Project costs via the Netherlands	1,498,738	767,914
Projects via Solidaridad Network Secretariat	2,701,743	1,225,610
Total project costs	25,219,644	18,357,974
Operating costs in the Netherlands	3,607,171	3,153,119
	28,826,815	21,511,093

Operating costs

For notes to the operating costs please see "Specification and breakdown of costs by categories".

Projects via Solidaridad regional expertises centers

The breakdown per Solidaridad office with their most important projects is as follows:

	Actual 2018	Actual 2017
Projects in Solidaridad South America		
Conductive policy environment for responsible small-scale mining	140,774	108,287
Capacity enhancement	206,000	206,000
Developing a collaborative and cost-effective technical assistance model	353,970	357,348
Enhancing the potential of the Sustainable Trade Platform	327,750	320,972
Responsible practices in the ASM Peruvian and Colombian gold sectors	145,040	163,439
D3S Platform Fund	496,000	565,000
Territorial organization and land use	140,775	108,289
Cocoa agroforestry in the Brazilian Amazon	22,557	130,000
LI in the Paraguayan Chaco	474,658	349,680
Soy (Feeding the world)	122,200	-
Advocafe: Building capacity for non-competitive collaboration	122,200	-
Others (less than € 100,000)	710,408	482,034
	3,262,332	2,791,049
Projects in China		
Others (less than € 100,000)	102,777	79,451

	Actual 2018	Actual 2017
Projects in West Africa		
Next generation cocoa youth programme	1,887,584	1,912,739
Sustainable gold landscape Ghana	140,775	108,288
Sustainable cocoa landscape Ghana	140,774	108,288
Golden Line Ghana	153,093	145,010
Palm oil productivity improvement Nigeria	27,000	180,000
Capacity enhancement	140,000	141,000
Transformation of the cocoa and palm oil supply chains in Liberia	407,674	505,638
Improving access to services in mining sector in Ghana	609,480	230,180
Improving SH Productivity through BMP service provision by RSCs	267,276	-
Others (less than € 100,000)	238,253	189,009
	4,011,909	3,520,152
Projects in East and Central Africa		
Food security through improved resilience of small scale farmers	896,100	595,525
LI Kilimanjaro transboundary landscape	342,807	263,557
Enabling policy influencing for improved livelihoods	213,549	216,576
Going for Gold Tanzania	127,868	296,760
Capacity enhancement	228,000	228,000
Better mill initiative Ethiopia	180,061	200,295
Green Tanning Initiative	284,702	-
Scaling Investments 4 Resilience of EA Coffee Producers	775,330	-
Others (less than € 100,000)	432,734	233,671
	3,481,151	2,034,384
Projects in South Africa		
Developing a national standard for sustainable F&V in Mozambique	281,549	216,576
LI in Mazabuka region, Zambia	319,290	245,528
Livestock Global to Local agenda	263,600	-
Healthy Fruits & Vegetables for Africa	122,200	-
Grazing Lands, Livestock and Climate Resilient Mitigation in the Kafue Basin	235,000	-
Improving Product & Market Capacity of Smallholder F&V Farmers in SA	201,999	-
Southern Africa Towards Soy Bean Import Substitution	163,566	-
Sugarcane Programme for Southern Africa	276,544	-
Capacity enhancement	341,000	-
Regional sector analysis	-	125,000
Programme development	-	124,060
Go Farmer app	-	175,000
Others (less than € 100,000)	179,075	161,640
	2,383,823	1,047,804
Projects in Germany		
Others (less than € 100,000)	180,000	-

	Actual 2018	Actual 2017
Projects in South and South East Asia		
Building capacity on participatory decision making in Ganga basin	678,418	521,860
Sustainable soy landscape development in Central Java, Indonesia	305,500	235,000
Sustainable transformation of the Indonesian tea industry	281,549	216,576
Sustainable and inclusive shrimp business in Bangladesh	281,549	216,576
Improved livelihoods for smallholder farmers in West Kalimantan	128,000	136,000
Capacity enhancement	362,000	362,000
WASH - Reaching the unreached estates and surrounding communities Sri Lanka	-507,494	923,202
Organic Cotton in Maharashtra	235,000	-
Palm Oil India	428,640	-
Palm Oil Indonesia	407,960	-
India Sustainable Soy Project	235,000	-
Transforming Sugarcane Sector for Efficient & Sustainable Production in India	535,799	-
Trinitea (digital tool tailor-made for smallholders in Indian tea industry)	188,000	-
Asian Sustainable Palm Oil Network (ASPN)	112,200	-
Tea Asia 2025	102,200	-
Responsible Industrial Minerals	558,682	-
Increasing water use efficiency in Sugarcane	-	470,504
Others (less than € 100,000)	832,240	529,251
	5,165,243	3,610,969
Projects in Solidaridad North America		
Next generation cocoa youth programme	247,680	222,010
Others (less than € 100,000)	10,000	-
	257,680	222,010
Projects in Solidaridad Central America		
An integrated landscape management approach in RACS, Nicaragua	272,548	192,675
From farm to landscape in Zona Litoral del Norte, Honduras	439,525	488,330
PanAmericana sugarcane in the Americas	122,200	141,000
Palm oil Mexico	172,013	347,220
Palm oil Nicaragua	82,013	169,527
Capacity enhancement	200,000	200,000
Haiti small holder sugar cane	54,000	530,000
Mesoamerica (palm oil)	735,000	813,110
Others (less than € 100,000)	96,949	176,769
	2,174,248	3,058,631
Total projects via Solidaridad regional expertises centers	21,019,163	16,364,450

Operating costs

For notes to the operating costs please see "Specification and breakdown of costs by categories".

Costs of income generation

	Actual 2018	Budget 2018	Actual 2017
Direct mail administration	34,983	30,000	23,760
Partnerships VFI and CBF	20,861	22,000	21,726
Fundraising campaigns	226,870	388,000	181,900
Operating costs	452,835	455,000	394,037
	735,549	895,000	621,423
<i>Costs of income generation as a percentage of income</i>	<i>2.4%</i>	<i>3.5%</i>	<i>2.7%</i>

For notes to the operating costs please see "Specification and breakdown of costs by categories".

Costs of management and administration

This contains only operating costs. For notes to the operating costs please see "Specification and breakdown of costs by categories". The management and administration costs include the following personnel costs: director, 0.2 FTE; secretariat, 0.2 FTE; HRM manager, 0.2 FTE; controller, 0.5 FTE; administrator 0.4 FTE; and quality officer, 0.2 FTE. Solidaridad strives to achieve the lowest possible percentage of management and administrative costs without endangering the quality of its operations.

SPECIFICATION AND BREAKDOWN OF COSTS BY CATEGORIES

Explanation of cost allocation

Operating costs are allocated to the various cost categories. The calculation method for 2018 is the same as the one used in 2017. The job descriptions for each member of staff are used to determine which parts of their work relate to the various categories. The general overhead is then allocated using the same percentage distribution as for the staff costs.

Expenditure	Objectives		Income generation	Management and administration	Total 2018	Budget 2018	Total 2017
	Structural aid	Communication and information					
Projects via Solidaridad offices worldwide	25,219,645	-	-	-	25,219,645	20,491,000	18,357,974
Communication	-	339,027	282,715	-	621,742	925,000	742,061
Personnel	2,935,202	234,197	368,477	151,364	3,689,241	3,680,000	3,338,444
Travel and accommodation	191,097	15,247	23,990	9,855	240,189	210,000	218,709
Premises	266,520	21,265	33,458	13,744	334,987	299,000	195,019
Office/general	194,843	15,546	24,460	10,048	244,897	274,000	192,306
Depreciation	19,508	1,557	2,449	1,006	24,520	40,000	15,714
	28,826,815	626,840	735,549	186,016	30,375,221	25,919,000	23,060,227

Personnel

The breakdown is as follows:

	Actual 2018	Budget 2018	Actual 2017
Gross salaries	2,832,281	2,725,000	2,540,284
Social premiums	428,676	408,750	385,621
Pension expenses	349,337	408,750	325,048
Other personnel expenses	78,947	137,500	87,491
	3,689,241	3,680,000	3,338,444

Number of staff members

During 2018 the average number of staff members employed by Solidaridad, expressed as full-time equivalents (FTEs), was 44.5 (2017: 40.0).

Pension

Solidaridad has a service agreement with Centraal Beheer APF for a defined contribution pension scheme for its employees. Paid and to be paid premiums during 2018 has been charged to the profit and loss account of 2018.

Remuneration management

Solidaridad in the Netherlands is managed by a statutory director, the Managing Director. H.F. (Heske) Verburg has been appointed as statutory director per January 1, 2017 by the International Supervisory Board. The statutory director has the final responsibility for daily management and implementation of the programmes and activities. Her actual income for 2018 was € 112,969. The level and composition of this salary is based on the applicable regulations:

Remuneration of the Managing Director	Heske Verburg 2018	Heske Verburg 2017
Year		
Period in year	01/01 - 31/12	01/01 - 31/12
Hours	36	36
FTE factor	1.0	1.0
Contract type	Employment	Employment
Remuneration		
Gross salary	84,775	81,003
End of year bonus	7,036	6,723
Holiday pay paid in year	7,139	4,377
Total	98,950	92,103
Taxable benefits	-	-
Employers pension contribution	14,019	13,468
Total	112,969	105,571

Solidaridad provided no loans, advances or guarantees to the Managing Director.

As of January 1, 2013 the *Wet Normering bezoldiging topfunctionarissen publieke en semipublieke sector*, or WNT (law salary senior executives of public and semi-public sector) has been operative. The WNT is applicable for Foundation Solidaridad the Netherlands. The WNT maximum for the development sector is € 174,000 for 2018.

Remuneration of the Managing Director	Heske Verburg 2018	Heske Verburg 2017
Year		
Period in year	01/01 - 31/12	01/01 - 31/12
FTE factor	1.0	1.0
Contract type	Employment	Employment
Remuneration	112,969	105,571
Remuneration payables in time (employers' share of pension costs)	-	-
<i>Total</i>	<i>112,969</i>	<i>105,571</i>
Remuneration maximum	174,000	168,000
Minus: unduly paid and not yet reimbursed	-	-
Total remuneration	112,969	105,571

Reason for acceptance/rejection exceeding maximum remuneration:	Not applicable
Explanation of unduly paid and not yet reimbursed:	Not applicable

Remuneration Supervisory Boards

In accordance with Solidaridad's statutes, the members of the Supervisory Boards of Solidaridad receive no remuneration of any kind. The boards consist of the following members during 2018:

	Function
Mariam Gabala Epse Dao	ISB member
Roxana Barrantes	ISB member
Shahamin Sahadat Zaman	ISB member
Kannan Pashupathy	ISB member
Gerrit Meester	ISB and CSB member
Jan Karel Mak	ISB and CSB member
Ton Geurts	CSB member
Theo Jan Simons	CSB member
Carlos Alva Nieto	CSB member
Katrien Termeer	CSB member
Claire Gentil	CSB member

Interest and income from investments

The breakdown of interest and income from investments is as follows:

	Actual 2018	Budget 2018	Actual 2017
Received dividend from AgroFair Europe B.V.	52,500	-	105,000
Interest	111,568	150,000	132,297
	164,068	150,000	237,297

AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To: the Supervisory Board of Stichting Solidaridad Nederland.

A. Report on the audit of the financial statements 2018 included in the annual financial report.

Our opinion

We have audited the financial statements 2018 of Stichting Solidaridad Nederland, based in Utrecht, The Netherlands.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Stichting Solidaridad Nederland as at 31 December 2018 and of its result for 2018 in accordance with the Guidelines for annual reporting 650 "Fundraising Organisations" of the Dutch Accounting Standards Board, and the Policy rules implementation of the Standards for Remuneration Act (WNT).

The financial statements comprise:

1. the balance sheet as at 31 December 2018;
2. the statement of income and expenditure for 2018; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing as well as the Policy rules implementation WNT, including the Audit Protocol WNT. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Stichting Solidaridad Nederland in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Compliance with rule against overlapping pursuant to the WNT not audited

In accordance with the Audit Protocol under the Senior Executives in the Public and Semi-Public Sector (Standards for Remuneration) Act ("WNT"), we have not audited the rule against overlapping as referred to in Section 1.6a of the WNT and Section 5(1)(j) of the WNT Implementing Regulations. This means that we have not audited whether an executive senior official exceeds the norm as a result of any positions as executive senior official at other institutions subject to the WNT, and whether the explanation required in this context is correct and complete.

B. Report on the other information included in the annual financial report

In addition to the financial statements and our auditor's report thereon, the annual financial report contains other information that consists of:

- the management report;
- report of the supervisory board.

Based on the following procedures performed, we conclude that the other information is consistent with the financial statements and does not contain material misstatements. We have read the other information.

Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements. Management is responsible for the preparation of the other information, including the management report, in accordance with the Guidelines for annual reporting 650 "Fundraising Organisations" of the Dutch Accounting Standards Board.

C. Description of responsibilities regarding the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements, in accordance with the Guidelines for annual reporting 650 "Fundraising Organisations" of the Dutch Accounting Standards Board and the Policy rules implementation of the Standards for Remuneration Act (WNT). Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the foundation's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to dissolve the foundation or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the foundation's ability to continue as a going concern in the financial statements.



Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, as well as the Policy rules implementation WNT, including the Audit Protocol WNT, ethical requirements and independence requirements.

Our audit included e.g.:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the foundation's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a foundation to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amsterdam, 29 March 2019

Dubois & Co. Registeraccountants

Signed on original by:
A.P. Buteijn RA